

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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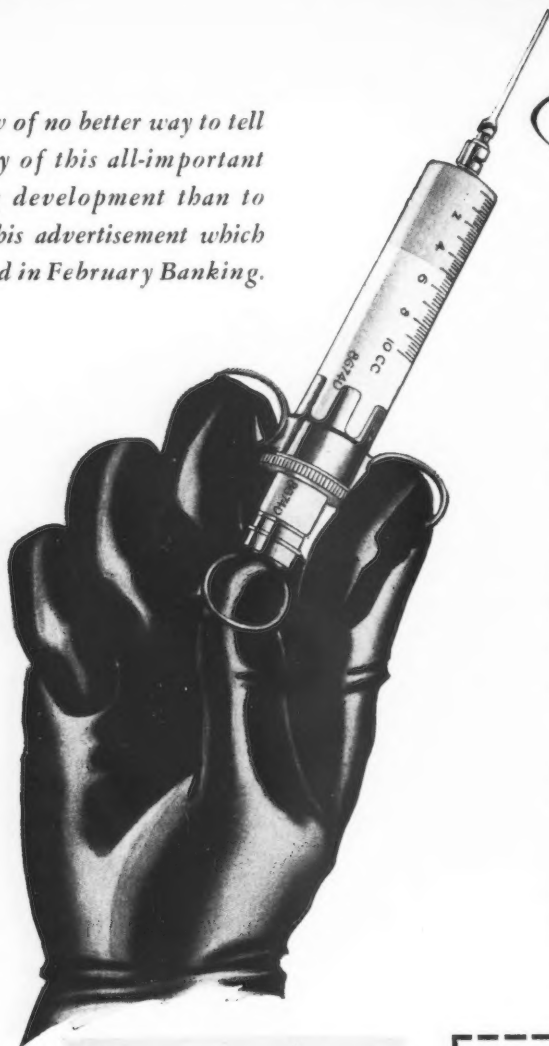
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MARCH, 1941

CONSUMER CREDIT...TWO BANKING CONFERENCES...WASHINGTON  
DIRECTORS...BANK INSURANCE...PEOPLE YOU KNOW...METHODS  
LEGAL ANSWERS...NEW BOOKS...ADULT EDUCATION...BANK TAXES

# INJECT *New Profit* INTO CHECKING ACCOUNTS

*We know of no better way to tell the story of this all-important banking development than to repeat this advertisement which appeared in February Banking.*



*M*ANY PROGRESSIVE BANKS have added to their profits by using the Todd Pay-As-You-Go Checking Account System.

This time-saving and convenient service appeals to many people who cannot maintain compensating balances. It broadens your market for profitable checking accounts, and attracts new customers, potential users of other services as well.

To be profitable, Pay-As-You-Go Checking Accounts must be successfully "sold" to the public. It is easier to merchandise the Todd System—with checks that are truly distinctive—alteration-defying "voids", a protection guaranteed by insurance—exclusive *plus* values which appeal to prospective depositors.

Todd Pay-As-You-Go merchandising plans, based on broad experience, can help you. Write for descriptive material and samples of Super-Safety checks.

**Todd**  
COMPANY, INC.

**Todd**

ROCHESTER NEW YORK

OFFICES IN ALL PRINCIPAL CITIES

#### THE TODD COMPANY, INC., ROCHESTER, NEW YORK

Send me literature about Todd's Pay-As-You-Go Checking Account System and samples of Super-Safety checks. Please include a copy of "More Ways to Make Friends for a Bank."

NAME \_\_\_\_\_

BANK \_\_\_\_\_

CITY \_\_\_\_\_

STATE \_\_\_\_\_

B3-41

# JUST A MINUTE



CUSHING

How many banks are in this picture?

## New York

IF YOU can't answer the question raised in the caption to the above picture, don't worry. We couldn't either—not without much study, and probably not, even then.

We asked the photographer to estimate the number of banks represented. "Oh, about a dozen," he said.

Suffice it to say, lamely, that the skyscrapers of lower Manhattan are the dwelling places of many banks, just as the hotels of mid-Manhattan will be the temporary homes of hundreds of bankers during the American Bankers Association's Eastern Regional Conference on Savings and Commercial Banking.

Held at the Waldorf-Astoria, March 5 through 7, this meeting offers an unusual opportunity for a banker to check up on his ideas, his methods, his operating procedures, his policies, and the thousand and one other things that a banker has to have and be and do these days.

## Louisville, Too

THE SAME applies, of course, to the  
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# BANKING

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## Wherever you go, there's a Hartford Agent near!

When you buy a policy in the Hartford Fire Insurance Company or the Hartford Accident and Indemnity Company, you secure something more than a promise to pay a loss or handle a claim. You get "extras" in service that do not go with all policies.

You gain over 17,000 friends—the Hartford agents and field representatives located in all parts of the United States, in Hawaii and in Canada. They're always ready to help you if you have an accident or need any form of insurance service whatever.



*To find a Hartford Agent quickly, call Western Union*

You benefit through Hartford's Western Union Service, which costs you nothing. Just call Western Union (in Canada, call Canadian National Telegraphs) and ask for the name and address of the nearest

Hartford agent. This is an invaluable aid when you or your employees are in trouble.

### *To protect against big losses*

You get maximum protection through the NEW way of buying insurance. Hartford representatives know how to analyze the risks to which you or your business are exposed. They can determine potential crippling losses—and protect you against them with a sound insurance program.

This NEW way may save you thousands of dollars in losses. Why not talk things over with a Hartford agent?—or see your own broker.

*Ever since 1810, "Hartford" on a policy has meant a sure promise to pay losses*



**Hartford Fire Insurance Company**  
**Hartford Accident and Indemnity Company**

HARTFORD, CONNECTICUT

THE TWO HARTFORDS WRITE PRACTICALLY EVERY FORM OF INSURANCE EXCEPT LIFE



## JUST A MINUTE—Continued

regional conference at Louisville, Kentucky, March 20 and 21, when bankers from 15 southern and central states will meet under Association auspices for a general exchange of information and shop-talk on present-day banking subjects.

March, in short, is a busy month for bankers.

### *If You Care to Help . . .*

FROM C. SUYDAM CUTTING, chairman of the American Committee for Defense of British Homes, BANKING received this letter:

"English civilians face the constant threat of invasion with courage but with an amazing lack of weapons for the defense of their homes.

"The American Committee for Defense of British Homes is engaged in seeking contributions of small arms, binoculars, stop-watches and steel helmets which are sent to the Civilian Committee for Defense of Homes in England, of which Wickham Steed is chairman.

"The Committee has been granted 24 export licenses for more than 200 cases already shipped.

"Banks in New York, Chicago, Philadelphia and elsewhere have contributed guns to the Committee—guns which had been used by their guards but which for one reason or another have been replaced.

"If you could call this matter to the attention of your subscribers and encourage them to aid this Committee by contributions of any surplus weapons there may be under their control, I am sure you will serve a fine purpose."

### *It Worked*

AN ASSOCIATED PRESS dispatch from Burton, Ohio, said:

"G. B. Fox, president of the First National Bank here for 38 years, has found a way to get stockholders to attend an annual meeting.

"He supplemented the annual report with plenty of music and entertainment.

"Did they go for it?

"Seventy-five families were present when dinner was served last night."

### *Our Insurance Page*

"THE MONTHLY page you are now using, devoted to insurance topics, we are certain will be read with interest

(CONTINUED ON PAGE 5)

## REMEMBER MARCH 15

This Harper's Weekly artist tried to find a funny side to taxes back in '64



### REVENGE.

JONES. "Do you know, Sir, what I'll do, if the Government persists in carrying out this exorbitant tax on liquors and cigars? I'll not drink another glass of liquor or smoke another cigar. No, Sir, not one!"

COLVER SERVICE

March 1941

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## UNITED STATES GOVERNMENT SECURITIES

GUARANTEED ISSUES  
FEDERAL LAND BANK  
OTHER AGENCY ISSUES  
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CHICAGO · BOSTON · PHILADELPHIA  
CINCINNATI · ST. LOUIS · SAN FRANCISCO

Direct Wires to all Offices

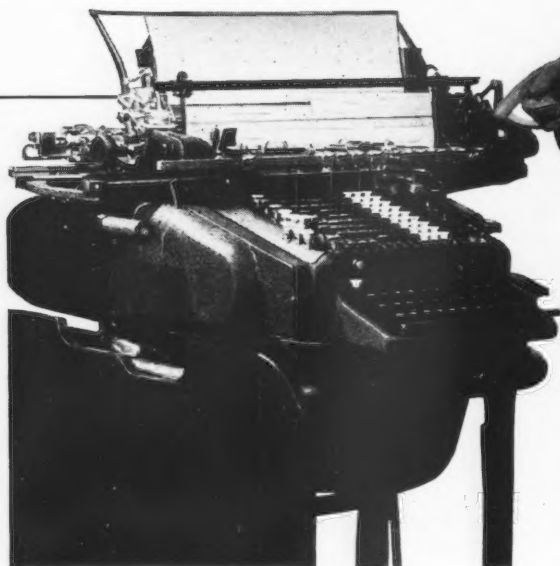
## R. G. RANKIN & CO.

CERTIFIED  
PUBLIC  
ACCOUNTANTS

NEW YORK  
CHICAGO  
WASHINGTON

"So that's a mortgage, eh?"

—says the Little-Man-Who-Wants-to-Know



©NCR



• "Hardly! That's the machine that enables us to handle mortgage loans (and a lot of other posting) easier, quicker, and with less work than ever before. Its name is NATIONAL Typewriting-Bookkeeping Machine."

• "Do you have to grow special typist-bookkeepers to run it?"

• "Certainly not. Any one who knows a standard typewriter and standard adding machine can operate it easily. The visibility of all entries, the many automatic features, and the ease of operation permit operators to work at maximum speed with minimum effort."

"And what's more, it takes less than one minute to adapt the machine for almost any posting work: Mortgage Loans, Loan and Discount, Real Estate, Securities, Transit Letters, Payroll, or General Ledger and Daily Statement."

• "All that from one machine?"

• "Yes sir! And more . . . it posts entries

on separate forms, and on a continuous journal sheet at the same time. At the completion of the work, it prints the accumulated totals on the journal. And the same machine can be used for disbursements, general journal entries, and posting the general ledger."

• "Handy machine to have around, what with the new problems in overtime and records, I'd say!"

• "There's nothing like it! Ring up a NATIONAL office today to learn how it fits almost any accounting plan."

INVESTIGATE

*National* ACCOUNTING MACHINES!

THE NATIONAL CASH REGISTER COMPANY • DAYTON, OHIO  
Cash Registers • Posting Machines • Check-Writing and Signing Machines  
Bank-Bookkeeping Machines • Typewriting-Bookkeeping Machines • Analysis Machines  
Postage Meter Machines • Accounting Machine Desks • Correct Posture Chairs



Copyright, 1941, The National Cash Register Company.



THE PAYLINE OF DEFENSE

### JUST A MINUTE—Continued

and profit," writes IRVING WILLIAMS, editor of "Rough Notes", which is devoted to insurance agency salesmanship and management.

"We trust," he continued, "you will have no objection to our quoting from some of these articles occasionally."

We haven't.

### "Bank Night"

THE Citizens & Southern National Bank tells us about a "bank night" that was different.

More than 3,000 men are constructing Camp Macon, vast Army replacement center just outside the city of Macon, Georgia. Realizing that these workers would have problems in connection with turning their pay checks into cash, the Macon office of the Citizens & Southern made special arrangements to help. On pay day the bank was opened between 6 and 9 p.m. In those hours tellers cashed checks for more than 3,000 workmen, distributing about \$125,000 in currency.

It is planned to continue this service weekly until the camp is completed.

Human interest note: A Salvation Army lassie stationed at the door by which the men left the bank that first evening reported collections in her tambourine were "very good."

### Attention, Numismatists

ATTACHED to C. B. EDWARDS' "Dear Brother Teller" (page 24) were some observations that may be of interest to coin collectors.

Let us hasten to admit that our knowledge of numismatics hardly ad-

mits us to the select circle of numismatists; however, we have enough of the collecting instinct to appreciate how a fellow must feel when a hundred dollar cent (if they come that high) clinks across his counter.

Anyway, Mr. EDWARDS has this to say:

"I wonder if you tellers are fully aware of the many valuable coins that

daily pass through your hands. I used to think rare coins were all in hands of collectors, but since becoming a collector and studying numismatics I have found quite a few valuable coins.

"Do you know that if you had bought \$500 worth of new 1909 'S' pennies with VDB on reverse, and put them away in the vault, they would be worth \$100,000 today? Look over your 'Indian heads.' Almost any date from 1870 to 1880 is good. I'll give a new dollar for an old 1877 Indian head if you think it's no good. Send me some 1914 'D' Lincoln pennies. They're worth two bits apiece to me, at least. Of course, I give more for 1909 'S' VDB Lincolns or 1908 'S' Indian heads. . . .

"Watch especially for new 'Standing Liberty' quarters. If, for instance, you have new 'Standing Liberty' 1916 quarters, you have got something. Most 'Standing Liberty' quarters have no date, due to printing the date too high, thus permitting it to be rubbed off. . . .

"Let me hear from some of you boys about your interesting experiences."

Mr. EDWARDS, chief teller of the Fourth National Bank, Wichita, Kansas, lives at 406 North Estelle Avenue in that city.

## A Real Value!

● When you can supply 200 checks on National Safety Paper — imprinted with customer's name and address —

*Costing Your Customer Only \$1<sup>25</sup>*

— and in addition provide FREE with his first order, a genuine leather cover, gold stamped with his name — you are giving him a real value for his money.

Write for folder and get the interesting details

**De Luxe**  
CHECK PRINTERS, INC.  
*Lithographers and Printers*

Plants at  
NEW YORK  
CLEVELAND

CHICAGO  
KANSAS CITY  
ST. PAUL



# GMAC

GENERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUXHALL and other

foreign made automotive vehicles.

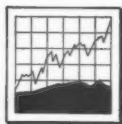
The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



These NOTES are available, in limited amounts, upon request.

EXECUTIVE OFFICE NEW YORK • BRANCHES IN PRINCIPAL CITIES



JUDGMENT of new issues, preliminary to purchase and subsequent recommendation to clients, is the responsibility of our Corporation and Municipal Buying Departments. The training and experience of members of these divisions is suggested by their service records with this organization. The average period of service of almost half of the personnel of these divisions approximates 22 years and that of the entire group over 15½ years.

A readable brochure further outlining basic policies and activities of this organization, will be sent upon request.

## HALSEY, STUART & CO. INC.

CHICAGO, 201 S. LA SALLE STREET • NEW YORK, 35 WALL STREET  
AND OTHER PRINCIPAL CITIES



### SHORTER SATURDAYS

Our contemporary "South Australian Bank Officials' Journal", printing this sketch in illustrating its comment on a new schedule of Saturday banking hours, says: "Our artist depicts the race for the timebook in the banks where the staff commences at 8:30 A.M. on Saturday"

### BANKING in the New Home

A COUPLE of months ago BANKING had the pleasure of reporting the method by which the Rochester (New York) Savings Bank helps contractors in the sale of real estate by advertising houses these men build.

Recently we heard that somehow word about our story had reached the owners of the houses featured in ads we used as illustrations, and that these good people of Rochester had called at the bank to borrow the January issue which contained the article.

In fact, a friend of ours at Rochester Savings wrote: "One fellow has the magazine now, and he has just asked me if I minded if he kept it another week."

Delighted, we promptly sent some complimentary upstate for distribution to the home-owners.

### Clinton, Iowa

THE OTHER morning's mail included an envelope that contained nothing but the proof of an advertisement of the City National Bank of Clinton, Iowa. Across the lower right-hand corner someone had written:

"This is sent merely to show you where Clinton is located."

The identification was easy. Prominent in the ad was a map of the Mid-West, upon which Clinton's bailiwick had been circled, thus permitting it to be seen as through a magnifying glass. Chicago, St. Louis, Des Moines, Minneapolis, Sioux City, Louisville, et al., were there, too, but in the minority, so to speak. The copy told of Clinton's economic importance, and gave her a generous, friendly boost.

BANKING



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# Toward the Future



THE MANAGEMENT of LOOK magazine has watched with intense interest the great contribution being made by the building industry to our National Defense Program. Production has expanded with almost miraculous swiftness and efficiency. Huge plants that were blueprints in September, 1940, will be producing at capacity by June, 1941. This speed-up is a major achievement and the building industry deserves the thanks of every American. Yet, examining the long range problem, LOOK has drawn these conclusions:

- (1) That because of the speed with which it went into action the building industry may be the first to suffer a slump from the peak of the Defense production.
- (2) That when Defense building demands come to an end there must be substituted for them a new market—a market that already exists and can be developed almost overnight.
- (3) That, therefore, LOOK can render a service to its readers, to the building industry, in fact to the country as a whole, by seeking to establish a practical cushion against the decline which must inevitably follow the Defense boom.

Our research department can discover no new industry which will be able to take up the sudden slack. New home construction will help—but it alone is not enough. We have, however, discovered one way to meet this urgent problem. This is the answer:

Launch a program for the proper care of the 23,000,000 existing one- and two-family homes. Urge homeowners to look after the seasonal maintenance of their property, show them the wisdom of making needed repairs and minor alterations.

This maintenance and alteration work, *if actually done where it is needed*, will almost alone level off the sharp decline which otherwise will follow the completion of the Defense program.

Economic benefit is not the only reward for this effort. A country whose homes are modern, livable, and well maintained is a country with high morale. And this high morale will play a vital part in preserving our American way of life.

Because we believe the above conclusions are sound, we are backing them up with action. Beginning in LOOK's first April issue we will publish a series of exhaustive picture articles on the maintenance, repair and minor alteration of the home.

We know that these picture articles will be interesting and useful to our readers, to builders and to manufacturers of building materials, to insurance companies and to banks and trust companies. We believe that they will contribute to the long time defense of America and of American institutions.

GENERAL MANAGER

# The Condition of BUSINESS

**THE OUTLOOK.** Business expects a continuation of the upward trend but is still on the anxious seat with a ceiling over prices and not over wages and taxes.

Activity is fairly general and not confined noticeably to defense areas and defense industries. All odds favor a steadily rising production of goods for both military and civilian uses, but the rate of progress from now on depends largely on capacity in various industries and how fast it can be increased.

**FOUR OBJECTIVES.** Moved by the necessity of expanding production, business and Government together have four main objectives and a new definition for capacity.

One objective is to produce more goods with present facilities than ever before. A second is to build and equip needed facilities as quickly as possible. A third and difficult one is to keep prices steady, and fourth, finance the whole thing without hurting national credit or the banks. Capacity is what *can* be produced by constantly producing more.

**EXISTING FACILITIES.** The first of these objectives is probably the most important single factor in the immediate business outlook. Both in its relation to present conditions and because of its obvious bearing on the longer future, the nationwide effort to get more production out of existing plants and equipment is something that will be worthwhile to watch.

For one thing it means continued progress without delay, without waiting for new machines, roofs and men, and without unnecessary, unhealthy expansion. This part of the job is being accomplished in various ways, for example:

**SUBCONTRACTING,** or farming out as much work as possible by large firms filling large orders is a practice that has the endorsement of the Army and Navy. Research in larger concerns directed toward finding new uses for present machinery, more constant operation and greater efficiency, has already shown that theoretical capacity can be stretched quite a bit. Intensive training of workers and managers is another way to improve output. Spacing or staggering of defense orders has expanded production particularly in industries having normally big seasonal peaks and valleys of activity. Planned long-term buying by the Government, with contracts a year or more in advance, can achieve the same results as spaced or synchronized purchasing.

**THINGS TO BE ANXIOUS ABOUT.** On the worry side business is concerned with immediate matters like costs and prices more than with the metaphysics of the national debt and whether Mars is inhabited. The ambitions of labor will be a cost factor of increasing importance and will have direct bearing on prices. Apparently the official program is to lean one way on prices and the other on labor costs and this may develop into quite a balancing act.

Inflation is still a word that bothers business greatly and causes uneasiness in Government quarters too. In this connection there are two points that might be kept in mind and one of them is reassuring.

Number one, there cannot conceivably occur any flight from the dollar at a time like this. There is no other country in the world with a currency that anyone would trade dollars or nickels for and feel safer.

Number two, a most effective step that the Treasury can take to prevent a rise in prices might possibly set in motion an inflationary trend. If, for example, the Treasury seeks to distribute its securities more generally among the public, thereby syphoning back purchasing power which would otherwise play hob with prices, it must offer its securities at a yield attractive enough to do the job right.

**CAPACITIES SUMMARIZED.** On the question of capacity there is much difference between industries. Automobiles are being built in record numbers. Assembly lines for the most part are on a one-shift basis, although many departments and divisions are working on two or three shifts.

The aviation industry's capacity is changing rapidly in an upward direction but its operations continue at practical capacity. Steel is being produced at practical capacity and some new plants are being built.

The food industry has no serious production problem. The chemical industry has no general figures on capacity nor on the degree of operation, except in certain specific cases. The aluminum industry, which is so important to aircraft production, is facing no serious shortage.

Textiles in general show a constantly rising volume of activity but no immediate bottlenecks in sight. The construction industry is operating at the highest level in more than 10 years. Shipbuilding is probably at capacity. The machine tool group has an index which indicates that it is operating at greater than 95 per cent of theoretical capacity. For the most part the industry is working three shifts a day.

**CROSS INDEX.** BANKING's cross index of business, obtained from a poll of bank directors and presidents, shows the increasing influence of defense spending. This month 71 per cent of those reporting an upward trend in business say that the defense program is the reason. Last month this figure was 68 per cent.

Nineteen per cent of the bankers included in the poll reported increased loan activity traceable to the defense program, compared with 16 per cent last month.

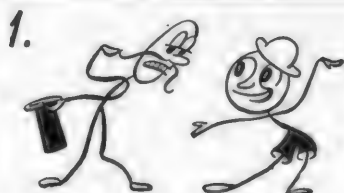
The general trend of business is about the same as last month. Sixty-two per cent of those polled for the purpose of this summary said that the volume of activity is increasing, 31 per cent reported activity maintained and 7 per cent reported a decline. The percentages and the composite cross index figure this month are the same as the month before.

WILLIAM R. KUHN

BANKING



# Who ME...buy AIR CONDITIONING Now?



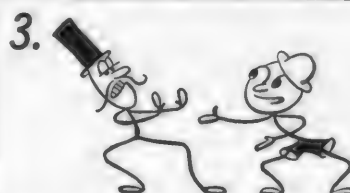
**1.**  
**Mr. Don'tle:** "Wait a while . . . put it off another year."

**Mr. Do-odle:** "And pay high war prices? That's silly."



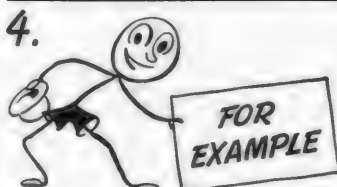
**2.**  
**Mr. Don'tle:** "Besides, business will be good anyhow."

**Mr. Do-odle:** "All the more reason to make sure we get our share."



**3.**  
**Mr. Don'tle:** "It's a terrible job deciding which make to choose."

**Mr. Do-odle:** "Follow other leading banks and choose Carrier."



**4.**  
**Mr. Do-odle:** "Look around you. You'll see more banks putting in Carrier Air Conditioning than ever before. For example, take the case of . . .

## **5.** TRUST COMPANY OF GEORGIA, Atlanta, Georgia

This leading southern bank occupies the main floor and basement of an eight story building, and rents out 144,000 sq. ft. of space on the top 7 floors. Even though the building was 40 years old, Carrier worked out an efficient plan of air conditioning whereby refrigeration machinery was installed in the basement while air conditioners were located on each floor to allow completely independent control. Expensive to operate? Engineer Chas. H. Whitaker reports that the total cost of refrigerant and all service amounted to just \$121 for 2500 hours of operation during one entire year.



**6.**  
**Mr. Don'tle:** "Curses, I'm lost."

**Mr. Do-odle:** "And I'm sending for Carrier. Then we'll have air conditioning that will pay out by pleasing depositors and clients . . . aiding rentals . . . improving employee efficiency . . . and reducing cleaning bills."



**Air Conditioning's  
First Name**

CARRIER CORPORATION Desk C8  
"Weather Makers to the World"  
SYRACUSE, N. Y.  
(In Canada: 30 Bloor St. West., Toronto, Ont.)

Without obligation send full information on Carrier Air Conditioning for banks and bank owned property.

NAME \_\_\_\_\_

COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_



# The National Prospect



HERBERT M. BRATTER, reporter of the following news from Washington, writes each month for **BANKING**.

Washington, D. C.

## All for one, one for all

**K**EEPING SCORE on defense expenditures has been hard enough to date, but now it will be more difficult in view of the lend-lease program. According to Secretary Morgenthau, our contemplated national defense program has been increased until it aggregates approximately \$28,500,000,000 in appropriations, contract authorizations, and recommendations just submitted. This will result in a deficit during this and the next fiscal year aggregating more than \$15,000,000,000.

To finance the program, the Treasury plans to sell long-term obligations to "real savers" rather than banks. But these long-term securities, many of them payable in the next generation, will not be issued until the law is amended to discontinue their exemption from taxation. Such exemption, according to Mr. Morgenthau, is "worth nothing to the poorest class of subscribers, and worth a great deal to those in the very high income brackets. Such preferential treatment to this latter class is incompatible with democratic financing of the defense program and should be removed."

Coupled with these changes is the introduction of "Treasury savings certificates" and savings stamps together with greater flexibility in the Treasury's power to vary the form and conditions of savings bonds.

The Treasury's latest advertising pamphlet to promote the sale of United States Savings Bonds has a distinctly patriotic flavor. Printed in color—red, white and blue—it carries on the cover the slogan "The Land of the Free," and, inside, quotations from The Star Spangled Banner, the Declaration of Independence and the Gettysburg Address.

## About past-due Treasury obligations

A TAX-EXEMPT bond which has matured is still tax-exempt, in accordance with the well-known provision that "the bonds shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any state, or any of the possessions of the United States, etc." According to the Treasury, the principal amount may not be taxed even after maturity.

As for the negotiability of past-due Treasury obligations, the matter is not so clear, since there is no hard-and-fast court ruling on the subject. The question has not come up in the courts since the case of Morgan vs. the United States in the 1870's. That case concerned bearer obligations purchased after the call, and which had been stolen in the meantime. The court held the bonds had not matured until the call date—the inference being that after maturity they were not negotiable.

However, it is known that past-due Treasury

obligations do pass from hand to hand and the Treasury does not ordinarily ask many questions about them until two or three years after the maturity date. Notwithstanding the above-mentioned court decision, the best opinion in Washington is that, with the present great volume of Federal securities outstanding, the courts today might say that, for a period at least, they ought to be negotiable.

## Philosophic incongruities

SECRETARY MORGENTHAU's Inauguration Day statement said: "Our dollar has become the standard currency of the world." A clue to the reason therefore appears in the Secretary's next sentence: "International chaos has washed a huge flood of capital to this country. . ."

"The national credit has never been more sound," the Secretary also said. Following a decade of deficits, this statement may seem puzzling. But in apparent explanation the Secretary adds, ". . . by finding more effective employment of the nation's resources, great increases in national income have been produced."

## That gold question again

SIMULTANEOUSLY WITH the issuance by the Chamber of Commerce of the United States of a statement expressing faith in the gold standard, Congress was circularized with a statement "in behalf of 400 economists" advocating the 100 per cent reserve plan. According to the Chamber, "even the most ardent advocates of managed currencies within countries have proclaimed the need of a dependable international monetary basis and monetary organization. There appears to be no generally acceptable basic monetary material other than gold." But, according to the professors just mentioned, "even those who advocate some degree of return toward

(CONTINUED ON PAGE 12)

Below, the Senate Foreign Relations Committee pays rapt attention to testimony on the Lend-Lease bill. From left to right, Senators Tom Connally, Walter George (chairman), Hiram Johnson, Arthur Capper, Robert LaFollette, and Arthur Vandenberg



INTERNATIONAL NEWS PHOTO

**BANKING**



# A New Note In Mortgage Risk Rating

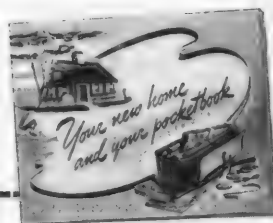


Today there's a new note in residential mortgage risk rating. It goes beyond land, title and structure. It recognizes that what a house costs to live in has a direct bearing on the owner's ability to pay and his willingness to pay.

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A new 34-page booklet, **Your New Home and Your Pocketbook**, is based on an intensive study of house operating expenses. It contains much that is of vital interest to you as a mortgagor. Why not send for your copy now?



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**NATIONAL PROSPECT—Cont.**

the former gold standard are, as a rule, now convinced that it must be 'managed' and never again left to work 'automatically'."

The tremendous proportions reached by the gold inflow in 1940 are not likely to be duplicated soon again. For one thing, there "ain't that much gold" left abroad available for quick shipment.

Also, the lend-lease program, which will render unnecessary for the British and others, to the extent of unknown billions, the building up of dollar exchange, should reflect itself in the gold situation.

**Rupee nest egg tapped**

LITTLE is heard of silver these days, although both purchase programs, like the proverbial brook, go on. Little noticed in the crowded newspapers is the announcement that British India will reduce the fineness of the historic rupee coin to 0.500. Since 1835 continuously the rupee has been India's standard coin.

Since 1933, when the Indian Government signed the London silver agreement, its stocks of surplus silver have been reduced by almost three-fourths.

The present program will give the government more silver to sell.

**Changes in the Senate Silver committee**

THE REVISED Senate special committee on the investigation of silver includes two newcomers, Senators Murray of Montana and Downey of California, who last year was a leader in the opposition to the repeal bill. These changes make the Committee almost completely pro-silver, the other members including Senators Thomas of Oklahoma, McNary of Oregon, and Shipstead of Minnesota.

**Great Britain's holdings in Latin America**

NOT AS lend-lease collateral, but rather as assurance that, in the event of a Nazi victory over England, British holdings in Latin America do not become the means for providing the Germans with large interests in the Western Hemisphere, Representative Charles S. Dewey of Illinois proposes that such British holdings be turned over to the United States as custodian for the duration of the war and such

(CONTINUED ON PAGE 14)



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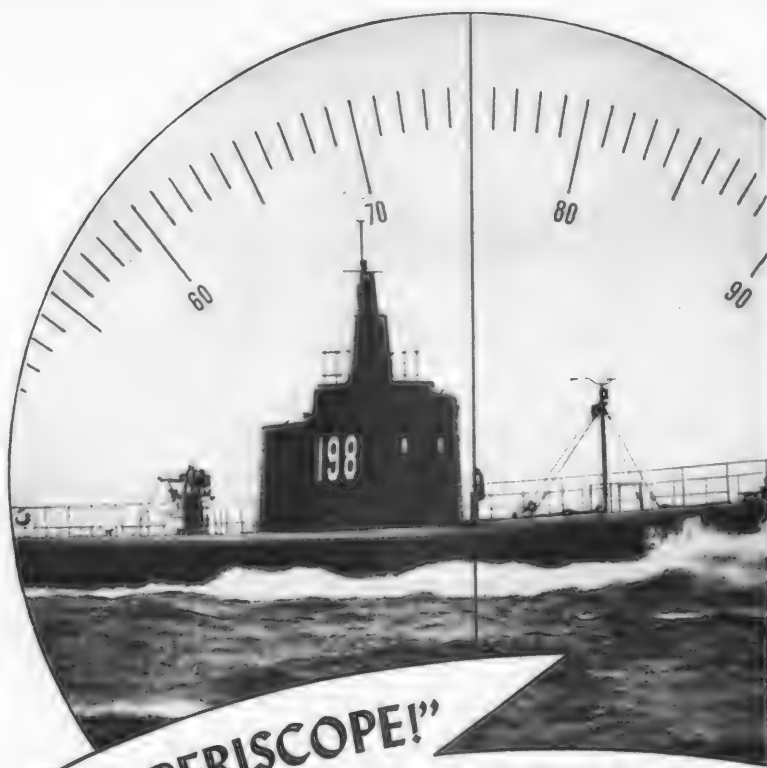
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### NATIONAL PROSPECT—Cont.

time thereafter as may be necessary. Congressman Dewey is well known as a former financial adviser of the Polish Government.

#### Advice for real estate lenders

IN LAYING out a research program for building and loan associations, the Federal Home Loan Bank Board emphasizes the importance of obtaining local information on business conditions, long-term savings, mortgage lending, home construction, the real estate market, etc. The Board recommends keeping monthly records of such community developments as private savings-and-loan investments, mortgage recordings, home construction, rents, vacancies, and marriages. Know your competition, too, the board advises.

#### HOLC experience shows tax reform needed

UNFAIR TAX rates and abuses of delinquency provisions of the law, the Federal Home Loan Bank Board finds, cause many property owners to pay out more for taxes than for financing. Often, although "the lending institution which forecloses may be called a villain, the underlying cause of the trouble is found in taxes. It stands to reason also that the institution will find difficulty in selling the foreclosed property because of the same inequitable taxes." Where this situation prevails, decentralization tends to develop, while new building activity is restrained. In cities where taxes are inequitable, the HOLC has been able to dispose of only a relatively small percentage of its properties. The answer to this situation is reform of tax rates and defective or oppressive tax-collecting systems.

#### Line forms to right

SOMETHING NEW in personalized service is the Commerce Department's announcement of establishment of a service and information office to simplify and expedite contact between businessmen who come to Washington and Government officials. The purpose is "to reduce wherever possible the time required by representatives of business and industry who come to the capital to transact official business." The line forms in front of Room 1060 in the Department's headquarters.

This is one of many changes announced in connection with the latest reorganization of the Bureau of Foreign and Domestic Commerce. It is believed that the reorganization will better equip the Department to play a

**BANKING**



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INTERNATIONAL NEWS PHOTOS

Charles Palmer of Atlanta has been appointed Coordinator of the Division of Defense Housing Coordination

useful role in the defense program, particularly if economic warfare becomes a more serious preoccupation of the Federal Government than is already the case.

### New regional data issued

SUPPLEMENTING ITS weekly statement of department store sales, the Federal Reserve Board is now issuing a monthly report on percentage changes in such sales both for the 12 districts and for the leading cities in each district.

### Congressional committee changes

ELECTION CASUALTIES have necessitated replacements on the Congressional banking committees. On the Senate Banking and Currency Committee Senators Thomas of Idaho and Ball of Minnesota replace Senators Townsend and Frazier, all Republicans. Naturally, the newcomers rank last on the Committee. Ranking minority member is Senator Tobey of New Hampshire.

In the House Banking and Currency Committee two new Democrats and four new Republicans make their appearance. The new Democrats are Representatives Walter A. Lynch of New York and Herman P. Koppleman of Connecticut. The new Republican committee members are Smith of Ohio, Kunkel of Pennsylvania, Rolph of California and Dewey of Illinois.

### 1941 income tax highlights

THIS YEAR gross, not net, income determines the liability for filing Federal income tax returns.

Personal exemptions have been lowered from \$1,000 to \$800 for a single

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"SO THAT..."

"We're less likely, now, to have a fire that might close down the plant and lose us business. And if fire *does* strike, we have sound coverage. Either way, our risk is cut and so are our costs."

IRM's careful selection of risks, regular property inspections thereafter, and conservative management have resulted in a low loss ratio. Consequently IRM policyholders have enjoyed a saving of 25% of their premiums ever since this group was organized!

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person; and from \$2,500 to \$2,000 for a married person or head of family. The defense tax, levied for the first time this year, is a tax of 10 per cent of the combined normal and surtax.

Taxpayers will be relieved of last year's requirements of preparing a duplicate copy (green sheet) of their income tax returns this year.

### The cartel idea

THE PROPOSAL heard last summer of a giant American cartel to finance Latin American surpluses was dropped as impracticable. A similar thought, however, underlies current proposals with reference to post-war aid to Europe. This country is being urged to buy up surplus foodstuffs and other supplies now with the idea of distributing them in European reconstruction when the war is over. Another related idea is that we should use our economic power now to keep needed foreign supplies out of Axis hands by buying them up. Mexican metals and oil are examples.

### Commerce Department reorganization

IN THE reorganization of the Bureau of Foreign and Domestic Commerce into five major divisions, Secretary Jones has put in charge of the new Division of International Economy 62-year-old James H. Edwards. From 1908 to 1913 Mr. Edwards was Deputy General Receiver of Dominican Customs at Santo Domingo. From 1920 to 1926 he was a representative of the Irving National Bank at Havana, and between 1926 and 1929 financial advisor to the Government of Puerto Rico at San Juan, Puerto Rico; and Comptroller General of Ecuador at Quito.

Mr. Edwards subsequently served as technical advisor to the Comptroller General of Colombia and financial attaché at the American Embassy, Havana. From 1934 to 1935 Mr. Edwards was chief of the Latin American Division in the Office of Special Advisor to the President on Foreign Trade, and the following year he was director of the commercial department of the Export-Import Bank. From 1937 to 1938 he was financial advisor to the Government of Nicaragua and general manager of the National Bank of Nicaragua.

Other appointees in the reorganization include Robert F. Martin as chief of the Division of Industrial Economy, M. Joseph Meehan as chief of the Division of Research and Statistics, Charles Fichtner as chief of the Division of Regional Economy, and John R. Morse as chief of the Division of Commercial and Economic Information.

**BANKING**



INTERNATIONAL NEWS PHOTOS

Sir Edward Robert Peacock, British financial leader, arrived "in a hurry for the special purpose of getting rid of fixed British assets in the United States" so that England can buy the things she needs

#### *Trade associations surveyed*

A NEW TNEC monograph prepared by the Commerce Department explores the steady trend toward centralization of trade and commerce as reflected in the growth of national and regional trade associations. "Of particular interest," Senator O'Mahoney somewhat cautiously states, "is the fact that the authors find that there is ground for the belief that relatively few of the 1,500 national and regional associations have in recent years engaged in collusive restraints of trade." A point to remember about all the TNEC monographs is that they represent not the views of the TNEC, but the findings of a particular author or authors assisting the TNEC.

#### *Treasury reports monthly*

THE INITIATION of monthly reports to Congress on the nation's finances was announced by Congressman Edward T. Taylor, chairman of the House Appropriations Committee. The data relate to receipts and expenditures, the public debt, general fund balances, and obligations and assets of corporations and credit agencies.

#### *Fearless of inflation*

AT LEAST one man not afraid of inflation is Congressman Rankin of Mississippi, who holds we will never balance the budget "until we either take this gold we have buried in the ground in Kentucky, issue currency against it, or issue currency against the credit of this Government, until we expand that currency to such an extent as to restore commodity prices to their normal level, and thus restore the Nation's income.

March 1941



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# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

MARCH 1941

## Defense and the Interest Cycle

EDWARD H. COLLINS

*Mr. COLLINS, Associate Financial Editor of the New York Herald Tribune, has been a frequent contributor to BANKING.*

**B**ETWEEN the termination of the Civil War in 1865 and a decade ago this country had witnessed six complete cycles in long-term interest rates.

These cycles, according to their historian, J. Leland Daniel, have varied greatly in duration. The downward phase alone of the first one lasted from 1865 to 1888, or 23 years, and carried the yield on gilt-edge bonds from a wartime level of almost 8 per cent to slightly above 4 per cent. This cycle was completed three years later, making it 26 years long in all, and, restoring interest rates to 5 per cent. Since that time, until 1932, such cycles have diminished greatly both in range and in duration.

As the table below shows, the three cycles prior to 1932 lasted only three, six, and three years, respectively, or 12 years in all.

BOND YIELDS, U.S., 1865-1941

Years	Range of Yields
Down.....1865-1888	8- 4+
Up.....1888-1891	4+ 5
Down.....1891-1902	5 4-
Up.....1902-1908	4- 4½
Down.....1908-1909	4½ 4
Up.....1909-1920	4 6-
Down.....1920-1922	6- 4½
Up.....1922-1923	4½ 5-
Down.....1923-1927	5- 4+
Up.....1927-1929	4+ 4½
Down.....1929-1931	4½ 4+
Up.....1931-1932	4+ 5½
Down.....1932- ?	5½ ?
Up..... ? - ?	? ?

But what is to be said of the behavior of interest rates since 1932, and, more especially, what does it portend for the years immediately ahead? The downward trend in interest rates since the great depression has been noteworthy in two respects—it has endured longer than any previous decline since that of 1891-1902, and it has carried interest rates to the lowest level in history. As this is written Government bonds are selling on a yield

basis of approximately 1.90, and at one time in late 1940 the yield fell as low as 1.77.

The fact that bond yields have been declining since 1932 would not, of itself, account for the question which one hears on every side these days, "Are we witnessing the end of the nine-year bull market in bonds"? After all, if such a market can endure for nine years it can last much longer, as, in fact, it did after the Civil War. Neither is this sudden apprehension about the course of interest rates based on the fact that in the last few weeks bond prices have fallen off somewhat from their peak levels of last year. Such interruptions in the long-term trend have occurred a number of times before during the last decade without raising serious doubts about the future. Rather, it is based upon three "potentials" that have arisen in conjunction with the nation's rearmament effort and with its proposal to extend all possible financial and economic aid to the anti-Axis powers throughout the world. The three are these:

### The Demand-Supply Thesis

This argument, boiled down to its essentials, is that for the last 10 years the supply of capital and credit has far outrun the demand for it in the form of new issues. This state of unbalance will tend to be corrected during the period of the defense effort by the fact that the Government will have to borrow on an unprecedentedly heavy scale. Since the yield on bonds is simply the price of long-term money, and since price is determined by the interaction of demand and supply, yields can be expected to rise over the next two or three years. Some market students believe that the lease-lend bill will accentuate this change. They reason that since we now propose to supply Great Britain with help in the form of actual materials, and since we mean to make loans (such as those to Argentina and China recently) to friendly nations during the period of the emergency, this means that the flow of gold toward this country, which has been the chief factor on the "supply" side of the money market equation, will either come to an end or dry up very perceptibly.

### The Inflation Thesis

Some writers believe that the defense effort will tax the national industrial plant to its capacity, produce a

shortage of labor and materials, and thereby bring about that classical type of inflation which ensues when "effective purchasing power" outruns productive capacity. In such a situation, they argue, long-term interest rates will almost inevitably advance. Needless to say, they foresee this danger as greatly magnified in case the United States should be drawn into the war.

### Anti-Inflation Measures

This is unquestionably the most real basis for expecting a discontinuance of the present "excessively easy" rates. It is predicated mainly on the memorandum presented to Congress on December 31, 1940, by Marriner S. Eccles on behalf of the Federal Reserve Board, the presidents of the 12 regional Reserve banks and the Federal Advisory Council. That document stated, in part:

"The volume of demand deposits and currency is 50 per cent greater than in any other period in our history. Excess reserves are huge and are increasing. They provide a base for more than doubling the existing supply of bank credit. Since the early part of 1934, \$14,000,000,000 of gold, the principal cause of excess reserves, has flowed into the country, and the stream of incoming gold is continuing. The necessarily large defense program of the United States will have still further expansive effects. Government securities have become the chief assets of the banking system, and purchases by banks have created additional deposits. Because of the excess reserves, interest rates have fallen to unprecedentedly low levels. Some of them are well below the reasonable requirements of an easy money policy, and are raising serious long-term problems for the future well-being of our charitable and educational institutions, for the holders of insurance policies and savings bank accounts, and for the national economy as a whole."

The manifesto presented by Mr. Eccles on behalf of his banking associates proposed a two-fold program. By way of concentrating control over the money supply in the hands of the Federal Reserve it urged that the Treasury be asked to relinquish certain powers over credit which it now holds and which could, conceivably, be employed in such a way as to nullify the policies of the banking authorities. By way of increasing the existing authority of the Reserve system it recommended that the latter be empowered to increase very substantially the reserve requirements of the member banks.



NATIONAL DEFENSE ADVISORY COMMISSION

"Some writers believe that the defense effort will tax the national industrial plant to its capacity . . ."

These are, if not the only theories, the principal ones upon which many persons predicate the assumption that we have now reached the bottom of the downward phase of the long-term interest cycle and are headed definitely into a period of rising rates. Let us consider, briefly, the merits of each.

As to the first—that the defense effort, by increasing the amount of public and private borrowing, will rectify the unbalance between the supply of, and demand for, credit—it hardly seems realistic when considered in the light of present-day monetary policies and practices. A generation ago this argument would have been thoroughly convincing, for a generation ago there was little elasticity in the supply of credit available.

THE FACT is that even if the effect of the lend-lease bill were to prevent the inflow of another dollar of gold, and even if the defense effort should create an immense demand for capital and credit, this would not affect interest rates unless the Reserve authorities and the Treasury believed that it should be permitted to do so. As Mr. Eccles points out, there are surplus reserves available already sufficient to double the nation's bank deposits. And if the banking authorities felt that this was insufficient they could double it again, and then redouble it—without benefit of another ounce of gold from abroad. Which brings us more or less logically to the second of the three theses under discussion—the thesis of inflation as a threat to interest rates.

This thesis really involves two questions—first, is price inflation a probability; and, second, would price inflation necessarily involve a rise in long-term interest rates?

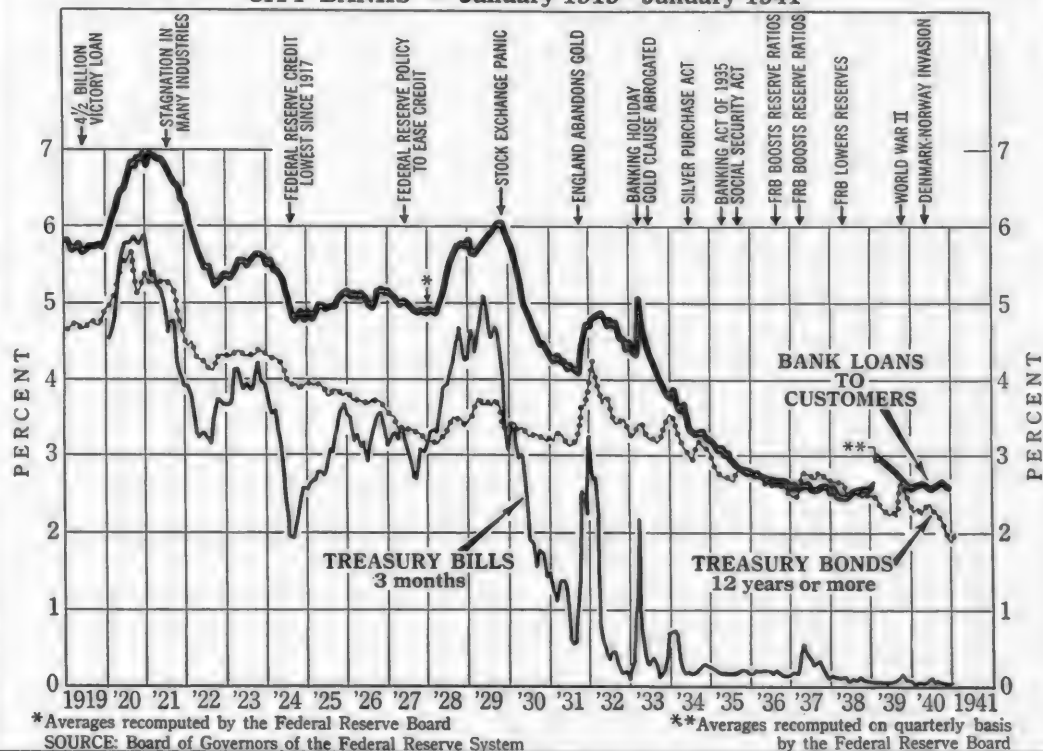
Someone has said of inflation that it is "like a balky horse. You lash it and lash it and it won't move. Then suddenly it bolts and you can't stop it." Inflation is about as unpredictable as that; and anyone who would hazard a categorical prophecy that it will or will not develop in the next two or three years is needlessly looking for trouble. However, this much can be said: *The United States is infinitely better prepared to combat inflation today than it was between 1914 and 1917, the period prior to our own participation in the World War and the period most nearly comparable to that which we are now entering.*

In the last war this country had to supply much of Europe with food and other essential raw materials. As a result of this, we witnessed an unprecedented seller's market in such commodities as wheat and cotton.

Today, ironically, when we have a glut of food and staple raw materials, the European market is almost completely closed to us.

As prices rose in the last war, wages were increased to keep step with them, thus producing the well known vicious spiral repeated more recently in 1937. Today there is no basis for wage demands on account of a high cost of living. The cost of living is 30 per cent under the peak reached during the World War; at the same time, hourly wages are 20 per cent higher than they were then. On the other hand, it must be admitted that labor is more strongly unionized than in 1914-1917, and that it is in a position to force demands on business that it would not have been able to 25 years ago. Again, the Wages and Hours Act, unless its modification can be

# INTEREST RATES IN THE OPEN MARKET AND RATES PAID BY CUSTOMERS OF CITY BANKS - January 1919 - January 1941



Money Rates—1919 to 1941

obtained, is certain to add to the labor bill, and hence to the potentialities for inflation.

A third reason why inflation is less likely in the next two or three years than in 1914-1917 is that business and the Government are unitedly opposed to it. Not only is the Government policing prices, but industry, which learned its lesson in the war and post-war period, is helping out by policing itself.

But if inflation does come, does it follow that we shall see a sharp rise in gilt-edge yields? Not necessarily. We had an inflation of 70 per cent in commodity prices in the years prior to the entrance of the United States into the World War, yet high grade bonds not only held their own for that three-year period, but actually advanced slightly.

In 1920 the member banks of the Reserve system not only did not have any excess reserves, but they were in debt to the regional banks in the unprecedented sum of \$2,800,000,000.

**C**ONTRAST that with the picture at the present time. Today the deposits of the member banks are covered with reserves at the Federal, and there are surplus reserves, in hand, amounting to nearly \$7,000,000,000.

Does all this mean that no tightening of long-term money rates is to be expected in the near future? Not at all. It simply means that we probably have little to fear from the much discussed credit expansion involved

in the defense effort, from the drying up of the gold movement, or from inflation. On the other hand, the Reserve authorities regard the present level of money rates as "below the reasonable requirements of an easy money policy" while Mr. Morgenthau has gone on record to the effect that these rates, although a convenience to the Treasury, are "unwholesome".

What we may probably look forward to in the next year or two, if Mr. Eccles's publicly and privately expressed views are put into execution, is a more artificial market than any that has been witnessed here thus far. Mr. Eccles would like to make short-term interest rates more attractive while disturbing long-term rates only moderately. In addition, it is believed, he would like to see a system of variable rates established for long-term governments, ranging from perhaps 2 to 3 per cent.

To sum up, the "bull market" in gilt-edge issues probably is over. But it is not succumbing to "natural forces" and it probably is not going to be followed by a bear market. What probably is happening is that we are about to pass from a stage in which bond prices have been managed negatively in an upward direction into one in which they will be managed more positively. In the process it is fair to expect slightly higher yields, especially for certain groups of investors. On the other hand, it seems equally certain that at least the effort to stabilize Government bonds against any possible relapse will be no less determined than the effort to prevent them from rising any further.

# Credit Supply and Demand

STEPHEN FOSTER

*Until joining the staff of the New York Life Insurance Company recently, MR. FOSTER was economist for City Bank Farmers Trust Company, New York City.*

**A**LTHOUGH bank loans have increased very pleasantly during the last seven or eight months, nevertheless from the standpoint of banks and bankers who look back to the late 1920's, total loans are still of most unsatisfactory magnitude. And almost every day some important financial commentator either wonders why loans don't do better or expresses the hope or expectation that pretty soon they simply must begin to rise prodigiously to reflect the huge expenditures on armament, on plant and equipment, on inventories, and on consumables, that are currently taking place.

Personally, I don't see why bank loans should be expected to rise very magnificently even under the stimulation of everything that is going on at the present time. There are several reasons for such an opinion: speeding up of transportation, shortening of production processes, elimination of certain types of middlemen, growth of private non-banking lending organizations and the tremendous growth of the myriad agencies of the Federal Government whose aim is the extension of credit in one form or another. Of more fundamental importance than any of these factors, however, is the dramatic change that has occurred during the last 10 or 15 years in the monetary and banking system of the country.

**M**ost people think of bank loans as an indication of the demand for money. Thus the logical expectation seems to be that, as business and production increase and as prices rise, thereby increasing the public's requirements for money, bank loans ought also to expand. However, this conception may not be a proper one. It seems more probable, for example, that bank loans, instead of representing "demand", are merely an inaccurate measure of the relationship between supply of money, on the one hand, and the demand for money on the other hand. And if this is true, then a rising demand caused by general business improvement might be attended by so rapid a rise in the supply of money that loans would go down rather than up.

The logic of this point can best be shown by a brief discussion of a very similar phenomenon "bills discounted", namely, the borrowings of commercial banks from the Federal Reserve banks. Nobody ever asks why "bills discounted" don't increase, yet in the 20's "bills discounted" were considered as one of the indicators of demand for money. Now, practically speaking, there are no "bills discounted" and no one can be found who will opine that they are going to increase importantly even though business is at an all time high level and apparently moving higher.

The reason why "bills discounted" are no longer an

indication of the demand for money is a very obvious one. Banks borrow from the Federal because unless they borrow, they don't have a sufficient volume of reserve balances to meet their reserve requirements. Hence if reserve requirements (the commercial banks' prime demand for money) move from \$2.3 billion in 1929 to \$7.5 billion in 1941, one would naturally expect this move to be reflected in a tremendous increase in "bills discounted". It happens, however, that along with this increase in banks' demand for cash there developed a far greater increase in the basic supply of bank funds, reserve balances, so that "bills discounted", as representing a deficit of supply, have decreased from \$1.3 billion in 1929 to only \$3 million at the present time.

Perhaps Table I below will serve to clarify this.

Of course it is well known what effect the changes shown above have had on interest rates. With the basic cash position of banks going from a 77 per cent excess of demand to almost a 100 per cent excess of supply, interest rates have been forced down and down to record-breaking low levels. Furthermore, the implication as to the outlook for "bills discounted" is very thoroughly comprehended: The outlook is at best uninspiring.

However, the counterpart that this situation has in the borrowing relationship between the commercial banks and the public is very generally ignored. People who would laugh at the suggestion of an important rise in "bills discounted" still look to see a rapid and sus-

**Table I**

	June 30, 1929	Jan. 29, 1941
Millions of Dollars		
<b>Basic supply of bank funds</b> (Reserve balances minus bills discounted) . . . . .	\$1,318	\$14,344
<b>Basic demand for bank funds</b> (Reserve requirements) . . . . .	2,333	7,547
<b>Ratio of demand to supply</b> . . . . .	1.77	.52
<b>Bills discounted (whose purpose is to build up the supply to required proportions)</b> . . . . .	1,037	3
<b>Total reserve balances</b> (item 1 and item 4) \$2,355	\$14,347	

**BANKING**



tained upswing in bank loans as a necessary adjunct to a sustained upward movement of business.

The analogy between the cash position of the banks on the one hand and the cash position of the public on the other hand, is by no means perfect. Nevertheless it is sufficiently close to warrant careful examination.

First as to supply. It seemed reasonable to take as the banks' basic supply of cash the volume of reserve balances that would have existed if there had been no bank borrowing from the Federal—no "bills discounted". Similarly it seems reasonable to take as the public's basic supply of cash the volume of commercial bank deposits that exists by reason of causes other than public borrowing from banks; that is, total deposits of the public less the public's borrowings from the banks. (Here the public is taken as including individuals, corporations, savings banks, insurance companies, trusts, states, municipalities, foreign interests, but not the Federal Government or the commercial banks themselves).

A PERSON'S requirement for inventory of cash will tend to go up or down with the amount of cash that he is receiving and disbursing, just as a merchant's requirement for inventory of goods will vary with the volume of goods passing through his hands. Similarly, for the country, which is the sum total of all the individual elements: If bank debits (which are a measure of total payments made by the country as a whole) average \$40 billion every couple of weeks, it seems reasonable to suppose that the country will need a far greater volume of commercial bank deposits for the conduct of its affairs than it would if bank debits are averaging only about \$20 billion during a similar period. In other words, bank debits may probably be taken as an indication of the public's demand for cash.

The movements of supply and demand in the case of the public's cash can perhaps be more clearly shown by Table II.

**Table II**

	1929	1941
	Billions of Dollars	
<b>Basic supply of public's funds</b>		
(Deposits minus loans) \$7	\$7	\$33 (Est.)
<b>Indications of basic demand for public's funds</b>		
(semi-monthly debit turnover).....	39	19
<b>Ratio of demand to supply</b> .....	5.5	.6
<b>Bank Loans (whose purpose is to build up supply to required proportions).....</b>	35	19 (Est.)
<b>Total Commercial bank deposits (items 1 and 4).....</b>	\$42	\$52 (Est.)

It appears from the table below that even if there were no loans by banks, commercial bank deposits would already be larger than they need to be for the conduct of the nation's financial, commercial and productive operations. And under the circumstances the question might be asked as to why there are any bank loans at all. Or, to put the matter another way, the presence of \$19 billions of loans might be thought of as an indication that the theory under discussion is wrong.

The point here is this: The public, like the banks, has more cash than its need for the conduct of its business. However, two important differences should be recognized. First, there are only 15,000 odd banks; there are millions and millions of entities comprising the public. Second, the cash requirements of the banks are accurately known; those of the public are highly inexact and exist as a matter of fact only in the most general way. For those reasons there is a somewhat greater tendency for reserve balances to be equably distributed among banks than there is for deposits to be equably distributed among the public. Hence, while some elements of the public hold vast amounts of commercial bank deposits more than they need to, others still have less than they need and are forced to borrow.

However, this point must not be overlooked: Somebody—individuals, corporations, etc.—owns all the commercial bank deposits that exist. If throughout the country there is a vast excess of deposits, the chance is far greater that any given person or corporation will already have a sufficiency of deposits than would be the case if the country as a whole had an insufficient supply. One might almost say that under existing conditions any person who finds himself in the position of having an insufficient supply of deposits may not be a particularly good credit risk; and while he may want to borrow, the banks may be unwilling to lend to him. The other people, those who hold the superfluity of bank deposits that currently exists, are probably excellent credit risks, but it would seem silly for them to borrow when they already have an over-supply of cash.

The whole thing is very much like the position of the commercial banks in relation to the Federal Reserve banks. The commercial banks don't borrow from the Federal because they already have more reserve balances with the Federal (more demand deposits) than they need. And if the surplus of reserve balances were perfectly distributed throughout the system, we wouldn't have even \$3,000,000 of bills discounted. Similarly, the public has far more demand deposits with the commercial banks than it needs and if this superfluity were better distributed, maybe there wouldn't be any bank loans; certainly one wouldn't expect any increase in loans. Of course, however, demand deposits are not very well distributed, so that while some worthy credit risks hold far more deposits than they need, there are many other worthy credit risks who have too little cash and have to borrow. And temporarily a rising volume of business, of production and of bank debits may accentuate the demand for loans from the worthy credit risks who have not kept themselves in a strong cash position.

It should be understood, however, that one of the im-

(CONTINUED ON PAGE 67)

# Dear Brother Tellers

## *A Communication from a Colleague in Kansas*

Wichita, Kansas

DEAR Brother Tellers:

I wonder how many of you have analyzed your position. If you do, you'll find you are essentially accurate, quick, intelligent, and that you lead an upright life. But that's just the beginning. You are, or should be, a diplomat, a goodwill ambassador, a student of physiognomy, a humorist, a detective. Treat your job seriously, but don't be too serious about yourself. Never go "high hat". Be a good fellow.

What happens when your customer leaves his or her place of business to go to the bank? He anticipates a moment of relaxation from arduous duties. He is in a gay mood; but life being what it is, things begin to happen. Perhaps there is no place to park the car,—perchance there's a long line at your window, and your customer gets impatient. His gay mood recedes.

But you know exactly what to do. Keep that line interested in you and your work. For the moment, you are the "face on the movie screen". Work fast—let your customers marvel how you can do it correctly. Talk little but when you do, say something light, snappy, and possibly witty. Keep the line moving. If you can't drop a few words and continue working fast, don't talk!

Personally, I am dubious about continually inquiring as to one's state of health. The person addressed may be trying to forget his ills. So why remind him? Try for an amused laugh from your immediate customer, a grin from the next, and from the third a smile. Turn the people out of line in a happy mood. "Count that day lost whose low descending sun views from thy hand no worthy action done." Days are too valuable to lose.

LET me now recite various incidents to prove my contention that the window work is the play part of the day and that the real labor comes after closing hour.

One day a tall, gawky lad from Arkansas wanted to cash a personal check. I told him that, inasmuch as he had no account with us, it was necessary for an officer, across the way, to O.K. the check. Soon thereafter a policeman appeared at my window with the boy. "What does he want?" the cop said. Well, the truth came out. An officer meant a policeman to the lad. So he went out on the street and insisted that the traffic cop leave his post of duty and come into the bank so he could cash a check.

Another time a good looking woman, on being asked for means of identification, said she had a mole on her right knee.

Often the unexpected happens. Quickly a decision is up to you. In the old days when "bank runs" were frequent, comparatively, I received a phone call to ship \$10,000 to an Oklahoma bank. There was a "run" on a rival institution in the same city. It was a rush order just before train time. Upon arriving at the

express depot, the agent, on a trifling pretext, refused to accept the package. The train left in three minutes. So, I hopped aboard. Immediately I realized that I had no money to pay railroad fare, except the \$10,000. Fortunately, I knew the conductor, so gave my check for the ticket. I confess I was relieved upon arrival at my destination to deliver the uninsured package.

Yes, the unexpected often happens. One day we received a counterfeit five dollar bill from a business concern. Fortunately, the depositor remembered the customer who had tendered it. Several days later we got another counterfeit "five" from an out-of-town bank. The holder, a filling station operator, had been suspicious and had obtained the passer's car number. This I traced. The car owner was the same man who had passed the first bad bill. I got in touch with Secret Service headquarters which sent an operator to Wichita to check up. He recovered \$6,000 in counterfeit "fives".

ONE day a stranger presented three tens with corners torn off. Suspecting raised bills, I inquired where he had received them. He replied: "From a negro on North Main Street". At the same time he pulled back his coat and revealed a detective's star. On being told he was giving up some evidence, he said he had more bills. I informed him a Secret Service operator was in town. He replied he was aware of it and that he had an engagement that afternoon with the operator.

Later, from our city correspondent banks, more torn tens came to us. These I traced to see if the banks knew the source. They did. They had "got them from a detective." Immediately I knew the "raiser" was this detective. I got in touch at once with the Secret Service operator. Yes, he had met the "detective". It seems while this man was in another bank, the operator suddenly came in. The "detective" was reciting his story to the teller. The latter, spotting the operator, quickly asked the "detective" his name and introduced him to the operator. Thinking the "detective" was a friend of the teller and a member of the local police force, they had a nice chat. The operator "cussed" when I told him the "detective" was the man he was after. He later caught him.

It's often well to make mental notes on "big deals". You may be called into court later. One day an excited farmer came in to cash a check for \$10,000 on his account in a nearby city. The check was O.K.'d by telephone and we paid out the cash. The true story came out later. This farmer actually bought a "gold brick"; it was placed on exhibit in a local jeweler's window. It was solid brass.

Good luck to all. Keep your chin up and smile. Remember, to your customer, you are the bank.

C. B. EDWARDS

Chief Teller, Fourth National Bank  
Wichita, Kansas.

# Banking as Usual

F. BRADSHAW MAKIN

Mr. MAKIN, who lives near Manchester, England, writes that part of this article was written "whilst taking cover in a shelter during a raid."

**T**HE manager and staff of any bank in the United States have no doubt many problems to face that are foreign to the British banker, but unfortunately the Britisher now has to meet and overcome difficulties which it is sincerely hoped will never confront a citizen of the world's greatest democracy.

To arrive at the office in the morning and find nothing but a heap of masonry, tangled girders, and burnt out fittings, is enough to fill anyone with a feeling of despair. If such a feeling arises it must be stifled at once, for there is work to do in plenty and all members of the staff must figuratively take off their coats and get into it. In all probability there will be espied down in the ruins of the basement the office safes containing the ledgers, cash, and certain securities.

Though the prospect of bringing order out of chaos is appalling, nevertheless it is true that within 48 hours the branch is once again functioning almost normally.

**O**NE may well ask how is it possible. The answer is that forethought and planning before the disaster and hard but regulated teamwork immediately after enable the service to be resumed with the minimum of delay and dislocation. When premises and records are completely demolished the first task is to obtain within an hour or so alternative accommodation in which the staff can set about their work.

The conditions under which the office work will have to be carried on may be the reverse to those usually

*Below, "business as usual" was the slogan of the staff of London office of the National City Bank of New York the morning after a high explosive bomb had partially demolished its quarters. Acting Manager D. Joseph Palmer and assistants are shown examining the bank's records*



experienced. Instances have been noted where the staff have had to work by candle light in their overcoats, because the electric light, water and gas have been cut off and the empty window frames had not been boarded. One of the first tasks is to obtain a supply of cash from the head office or some other large branch, so that "till money" is available.

While one or two members of the staff remain on counter duty to attend to customers, others are engaged on building up a complete set of books to replace those destroyed or temporarily unavailable. The reconstruction of all accounts, both personal and impersonal, could not be accomplished had not the authorities had the foresight to insist on duplicate records being compiled daily and weekly and lodged for safety with custodian offices located in non-vulnerable areas.

The compilation of duplicate records, which was considered by many bank officers as rather a nuisance in the pre-blitz days, has more than justified itself and can be described in a few words. For some time past it has been the practice for each branch to extract once a week a full list of all balances on the books and dispatch the whole to a custodian office. To complete the duplication, a daily list of all entries is also dispatched at the close of business each night.

At the custodian office there is maintained a full set of ledger account headings giving, at the top of each account, full details of the customer's name and address, et cetera, credit limit, interest rates, and securities held as cover.

**D**URING the time the work described above is going forward it must be recalled that customers are calling continually, both paying in checks and withdrawing cash, and demanding the many services which a bank offers. Customers, however, are willing to cooperate.

When a bank is completely destroyed and alternative offices are not obtained for some hours, arrangements are made to enable customers to receive full service at other branches of the same bank.

It must be remembered that the withdrawing customer may be unknown to the staff at the branch where he presents his check, and as they cannot make contact by telephone with the non-existent branch, no little tact is necessary at times.

One does of course meet the person who thinks that his own bombing is the only one that matters and he comes dashing around asking with every optimism for his pass book and for details of unrepresented checks.

Many other matters too numerous to mention have still to be dealt with by the staff after the doors are closed to customers and it is a very tired, begrimed, and somewhat dishevelled body of men that eventually emerge into the blackout to scramble for a street car to their homes hoping that the sirens will not sound.

# Sales-Minded Directors

MILTON WRIGHT

*"Such success as our bank has had," says P. D. Houston, A.B.A. President, "is due in no small measure to the wholehearted cooperation of our directors." In this article—one of a series—Mr. Wright reports on specific examples of director cooperation through sale of their banks' services.*

THE will of an active director of a well-known bank was probated recently. As expected, he left the bulk of his considerable fortune in trust for his two elderly, unmarried sisters. What caused considerable eyebrow-raising was the fact that he did not name his bank as trustee, but rather a man who was an old friend of the family.

"That will has proved to be the worst advertisement the bank ever had," said a businessman in discussing the case with me. "Since it has been published there has been a decided falling off in the activity of the trust department. I understand that no new trusts have been received, and several have been rescinded.

"Everybody, you see, knew how closely he was identified with the bank, and they are wondering what is the matter with it. Is its position shaky? Is its investment of fiduciary funds so inexpert that they suffer losses? Whatever the reason, the general feeling is that if the trust department of that bank isn't good enough to handle the estate of its most prominent director, then it certainly isn't good enough to handle the estate of anybody else."

As a matter of fact, this particular bank has a better than average trust department, judged from the standpoint of appreciation in value of trust funds. What personal reason the director may have had for failing to name the bank, the public will never know, but whatever it was, it impelled him to do the bank an irreparable injury.

To demonstrate personal confidence in the bank is a first duty of every director. Such confidence is a condition precedent to selling any of the bank's services, either by the staff, the officers or the directors themselves. Even the law recognizes this, for it requires that before a man can become a director, he must show his confidence by investing his money in the bank's stock. The director must be his own first customer.

The director is a member of the board because the public respects his integrity, ability and judgment: his influence in the community weighs heavily. By his mere presence on the board he is saying, in effect, "I believe this to be a good bank and I recommend it to you." Certainly no action or omission should be inconsistent with that position.

In one national bank, the board members show their confidence by investing as heavily in the bank's stock as their means will allow. Instead of the statutory holdings of \$1,000, no member of the board holds less than \$10,000 worth.

THE director is not expected, of course, to ask for new business everywhere he goes. New business will come if he puts himself in a position to receive it. He must show that he is both practical and public spirited. He must be able to discuss business topics intelligently and constructively when they come up in the course of conversation. And it must be known that he is an active director of the bank. In one southern bank the directors have an understanding that each will be seen several times a week in the bank lobby.

The director who really desires his bank to grow will have it constantly in the back of his mind when he is mingling with his fellow-townsmen, and in many a situation the bank will present itself to his mind logically and naturally as a factor. Mere mention of the bank will be helpful in promoting business.

In another bank, every one of the directors—and they are all well known men—has named the bank as trustee in his will. That fact is emphasized as a potent selling argument when the trust officer is angling for new accounts.

Another bank calls attention to the directors' confidence in still another way. It runs a series of newspaper advertisements, each one carrying a picture of a director, together with a signed statement in which the director tells the reader why he is a board member and what he thinks of the bank.

While the director's personal interest in the bank should be emphasized in selling the bank's services, it must not be a purely selfish interest. A banker in the Hudson Valley of New York explains this as follows:

"Directors may profit as ordinary stockholders of the bank, but in no other way. When it comes to making loans, we are more strict with directors than we are with other people. None of them can borrow a dollar, except on the best of collateral. People know that it is the public's money the bank is using, and the very worst propaganda you can spread about any bank is to let people get the idea the directors are using the institution to make money for themselves."

If the prominence of a director and the reliance placed in him by the public are factors in selling bank services, then the greater the confidence and reliance he enjoys, the more effective will he become as a contributor to the selling effort. In a New England state there is a group of eight associated banks, all highly successful. Speaking of their method of getting business, the executive officer of one says:



"We use no advertising and have no definite selling program, and yet our eight banks are adding more and more new accounts each year. Virtually all are traceable directly to the goodwill-building efforts of the directors.

"There is not a single community enterprise in the large area that we serve with which one or more of our directors is not prominently identified. One director is president of the hospital, another heads the Community Chest annual campaign, and so on. The public looks up to them as community leaders, respects their judgment, their character and their executive ability. The public knows, too, that they are directors of our bank. It is only natural that when there is any banking business to be done it is brought to us."

The practice of having directors distribute their memberships among several organizations is a common one, and usually proves to be profitable.

**I**N their business and social contacts directors are certain to see opportunities for new business. These opportunities are tips or leads which they can pass along to the bank's professional management. One director, for example, learned that a large chain store organization was preparing to open a distribution depot and four new stores in the area served by his bank. The account would be an attractive one and he told the bank's executive vice-president about it. A visit was made to the chain's headquarters city and the account landed before the rival bank knew anything about it.

Occasionally a regular selling campaign will be carried on, with every member of the board taking part. In one case this was planned and directed by a director who was sales manager for a local mill. A list was made up of prospects, both individuals and business organizations, and a "name-selection" meeting was held. At

this meeting, each director selected the names of 10 prospects with whom he was best acquainted and upon whom he would call within a week with a definite request for the opening of the account.

These directors stated frankly that they were seeking to build the business of their bank. In each case, they made it a point to offer some very definite reason why the account should be opened by the particular prospect.

Once a week the committee would meet to compare results. Each prospect was taken up in turn. Those not landed were either discarded as hopeless or given to another director who thought he might succeed with a different approach. A fresh batch of prospects was given to each director for the next week's effort.

The campaign continued for two months. By that time the board had added the business of every worthwhile prospect or had a substantial reason for not having it.

In an Ohio Valley bank the principal function of the directors in the selling effort is one of informing, advising and directing the active officers and staff members. The president describes it this way:

"Our directors are all engaged in businesses of their own which take up most of their time. We can't expect them to do much trotting around and calling on prospects for the bank. They, however, do give us tremendous help.

"They suggest prospects, they give us helpful information about prospects, they provide us with introductions, and, in some cases, use their influence with the prospect in backing up the representative's effort.

"All of our directors consider it a part of their duty to give such help. It is exactly what they understand by the word *directing*, and it is just as important in their eyes as their supervision of loans and investments."

*Below, The Merchants National Bank of Mobile, Alabama, sells the bank's stability through acquainting its clientele with the personnel of its board of directors*

## THE MERCHANTS NATIONAL BANK ORGANIZATION



**D. E. DENLAP**  
President  
Alabama Dry Dock & Shipbuilding Co.  
Elected Director July 1, 1937



**GORDON SMITH**  
President  
Smith's Bakery, Inc.  
Elected Director November 2, 1938

### THE *Backbone* OF A BANK'S STABILITY IS ITS BOARD OF DIRECTORS

If a Bank is outstanding for strength, soundness and a long record of constructive service, you can rest assured that its policies are formulated by a Board of Directors composed of competent, experienced, broad gauged and actively interested individuals.

The Directors of the Merchants National Bank are all active Mobile business executives—leaders in the commercial and industrial life of the city. They are in constant touch with the bank, bring to it the benefit of their specialized knowledge and experience in their respective fields.

Depositors, in the course of their banking relationship here, do not come into personal contact with our Board of Directors. But depositors do benefit directly from the group judgment of directors reflected in the bank's operations.

In order that you may be better acquainted with the men who direct the policies of



**DONACK S. TURNER**  
President  
Turner Timber Co.  
Elected Director April 2, 1939



**E. A. ROBERTS**  
President  
Waterman Steamship Corporation  
Elected Director January 14, 1938

# More Truth Than Fable .....



1. In spite of the efforts of the trust officers of various institutions . . .



2. Solomon (I-don't-believe-in-trust-companies) Sayers had never been wooed to the point of putting his estate in trust



3. It was a boundless estate, and he felt that it and his happy family could take care of themselves



4. "Pooh!" he said, "What's a trust company got that my wife hasn't got?"



5. And his son and daughter voted "Aye"



6. One day Solomon was feeling very smug and very proud of himself . . .



7. . . . and his nose was quite high in the air



8. . . . when he happened to step into an open manhole



9. He landed, unscathed, at the bottom . . .



10. . . . and he was quite scared at first



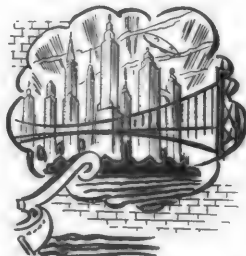
11. Things began to clear up, however, and he seemed to be floating along in some sort of a vessel



12. He found it to be a very lavish boat of the Cleopatra-barge class



13. He felt sure he was having a session with the supernatural when various scenes began to unfold before his eyes



14. The scenes seemed to be depicting the year 1965



15. The world was moving along, in spite of hell, high-water, and Hitler



16. Suddenly the scene shifts . . .

Mr. IRWIN and Mr. KIRKPATRICK are on the staff of the Purse Company, Chattanooga

J. WILL IRWIN and BOB KIRKPATRICK . . . . .



17. He sees his family as they will be in 1965



18. His family is destitute



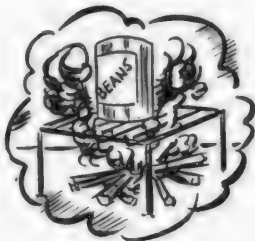
19. The poor daughter is selling papers



20. The boy is shining shoes



21. And mother, poor old mother, is gathering kindling wood



22. In fact they don't have a pot to cook their food in



23. They are being evicted from their home . . .



24. . . . and have no place to go



25. Things are so bad that the boy doesn't even have a place to finish the torch song he is writing . . .



26. . . . entitled, "Father, dear Father, if you had only left your estate in trust"



27. Then the show came to an end



28. Solomon found a ladder and climbed out of the sewer, but quick



29. He hid himself to the nearest lawyer and they ran—they did not walk—to the nearest trust company . . .



30. And Solomon had all the best available men collaborating on a plan for his estate



31. Having set up a plan, he ran back . . .



32. . . . to pay his sincere respect to the sewer, secure in the knowledge that his family would live happily hereafter

# The Effect of Consumer Credit~~~~~

HAROLD J. HECK

*"Because of a faulty conception of credit processes," says Mr. HECK, who is assistant secretary of Robert Morris Associates, "a notion that consumer credit can displace lines of credit to manufacturers, distributors and dealers, is being broadcast around the country. The article is an analysis and refutation of the argument."*

**A**MONG the most interesting angles of consumer credit is the question of whether it represents a fundamental change in the method of financing business. Concisely, the proposition is:

If the consumer is to be financed by his local bank and is to use the proceeds of personal loans to pay his suppliers, what effect will it have on lines of credit extended by the larger banks to manufacturers, distributors or dealers?

We should be especially interested in this aspect of the problem because if bank credit to the consumer is to displace or has displaced bank credit and lines of credit to the manufacturer, distributor and dealer, not only does it mean a fundamental change in method; it also means a permanent change in the function and organization of bank credit departments. Not only will the type of credit be changed; the bank making the loan may also be a different one.

We are all familiar with the steps of production and distribution, and the financing necessary at each step. Normally, large scale operations requiring large scale financing are accommodated by the larger banks in the relatively larger cities. But the ultimate consumer, in a great many instances, may be in a smaller town or village.

Under the theory that bank and finance company credit to consumers will displace lines of credit to producers, we should expect an increase in loans by local banks (local to the consumer) and a concomitant decrease in loans by larger city banks to manufacturers and distributors. This is surely an integral part of the whole future of commercial lending.

**A**NALYSIS of the problem seems to call for three major considerations. These are:

1. *Where, in our financial mechanism, does consumer credit fit?*
2. *What changes should we expect to see in financial statements of industry as a result of the growth of consumer credit?*
3. *Where, in our financial mechanism, does consumer credit not fit?*

Statistics are available to support logic which leads one to the opinion that only in the purchase of certain types of goods does consumer credit have any significant bearing. These are, mainly, automobiles and household appliances and equipment—articles of rather lasting

nature, representing a relatively high outlay of funds, and payment for which usually takes several months.

Involved in these cases are legal documents, carrying charges and interest payments, all of which mean a higher price for the goods bought. As between an open book account, with the dealer, and consumer credit, either from banks or finance companies, only when the customer can save enough by paying cash to cover costs to him of consumer credit does he undertake the latter. This is a truism, but it is mentioned in support of the statement that consumer credit is useful only in the case of time sales.

We have not yet reached the point where a retail discount is offered for paying the grocery or department store bill within, say, 10 days after purchase.

Referring now to the second major consideration outlined above, we should ultimately see some fundamental changes in the balance sheets of various types of business. Several conditions come to mind which would have to be satisfied before any measurement of such changes could make of this consideration anything more than a deductive assumption.

**T**HE first is whether the business makes most of its credit sales in a city or an area sufficiently "served" with consumer credit facilities. The second is whether customers of the business and the financing agency, bank or finance company, are the same. Of course, bank credit has reached consumers indirectly through finance companies for some time, and the shift expected in the figures now might be modified somewhat by a transfer of direct credit granting from finance companies to banks.

Assuming the foregoing conditions, however, and accepting that consumer credit by banks will put the borrowers in funds with which to pay cash for purchases, what major changes should we expect to see in balance sheets?

The first is a trend toward lower receivables. For, if customers will be receiving funds through consumer credit by banks, these funds will make for cash purchases. To the extent, then, that businesses will have borrowed from banks to carry receivables of their customers, they should now be relieved of this burden. We should, accordingly, expect to see a reduction in business borrowing from banks.

Because of these two probable movements, changes may be effected in several important balance sheet ratios, in which any analyst should be interested. The first is the current ratio, which may either move up or remain unaffected through the impact of consumer credit. If the company were in debt to banks, or had to go into debt to carry receivables, being released of the burden would tend to make the current ratio higher. An equal reduction in both sides of the current picture would raise the current ratio. If, though, the company



## *Its Relation to Commercial Credit*

was able to carry receivables without borrowing, the current ratio would be unaffected. An increase or decrease in receivables would be compensated by an equal change in some other current asset—perhaps cash, perhaps merchandise, perhaps marketable securities.

Another ratio tending to be materially affected is that of net worth to total debt. Again, if the company were in debt to banks and were released of some part of this burden by being allowed to carry lower receivables, the tendency would be a lower worth-debt ratio. If the company did not have to incur bank debt to carry receivables, there would be no release from debt, so the ratio of worth-debt would be unaffected.

One, also, would expect to see a much higher sales-receivables ratio for, in response to the shift in type of financing, sales should not be materially affected. Possibly consumer credit may be said to accelerate purchases by those who otherwise would have to wait and save; if this be so, sales would increase in volume, thereby further raising the sales-receivables ratio.

Though we cannot measure the impact of consumer credit, for obvious reasons, all considerations outlined above are undeniable influences. While the ratios mentioned are influenced by changes in receivables, many other factors may tend to destroy the validity of these ratios even as indicators of trends.

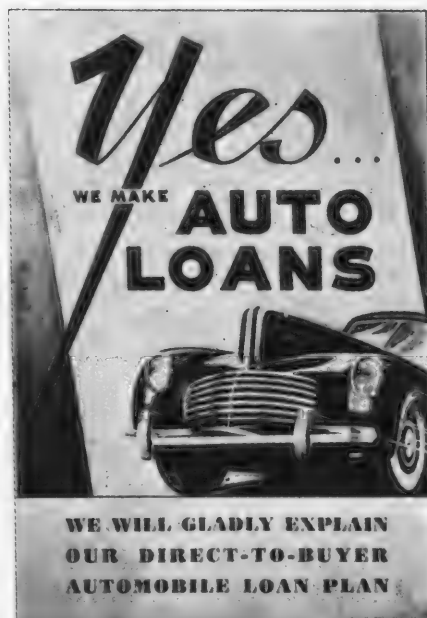
For example, it would be silly to look upon the changed method of financing in any other way than as *merely a factor* in the movement of the current ratio. Many variables enter into the make-up of the current ratio as of any one day. Yet we cannot deny that the tendency toward lower receivables and lower bank debt should be an influence toward a higher current ratio.

Validity of the worth-debt ratio as an indicator of the effect consumer credit by banks has on business statements is also dependent on other things being equal. But many more reasons than the growth of consumer credit may account for a company's not being in debt to its banks. And, as pointed out before, some companies are able to carry customers' accounts without going into the banks.

As to the sales-receivables ratio, many factors enter into the combination of price and volume and their coefficient pattern over a period of time. Receivables outstanding on statement date very likely represent the most recent sales, say those of the last 60 or 90 days. Sales, on the other hand, are the cumulative result of operations for the period, representing the inter-action of volumes and prices of several months ago as well as those of the last 60 or 90 days.

Reverting to the basic question of whether consumer credit by local banks has displaced or will displace lines of credit to producers, the major consideration seems to hinge around the element of time.

The time lag between production of raw materials, processes of manufacturing, manufacturers' sales of the finished product to distributors, distributors' sales to dealers, and dealers' sales to consumers often spans



One of a series of consumer credit ads recently prepared by the A.B.A. Advertising Department

many months. In the meantime, these processes of production and distribution have to be financed. Indeed, this goes on until the goods are bought and paid for by the ultimate consumer. To maintain that financing the consumer directly presages a disruption of lines of credit to the manufacturer and the distributor is to disregard or ignore the lack of correlation between dates of production, manufacturers' and distributors' sales, and consumer purchases.

We try, by forecasting and budgeting, to effect regular production, even though there definitely may be a seasonal consumer market. On the other hand, we have to contend with definitely seasonal factors in production, which must meet either a relatively stable market or a seasonal market which may not coincide, either in point of date or in duration, with the production effort.

How can consumer credit ever bridge this gap, when it is only from the time of consumer purchase that consumer credit takes hold? Everything that happened to bring the product to a consumer just when he wanted it and just where he wanted it had to be financed and will always have to be financed *by means other than consumer credit*. Unless we reach the point at which the consumer has to borrow to make a deposit in ordering a piece of goods, there is not the slightest chance that consumer credit can ever displace lines of credit to the manufacturer and the distributor.

And the only way in which consumer credit can ever replace bank credit, even to retail dealers, is by obviating the necessity of that part of bank credit otherwise incurred by dealers *because of the necessity of carrying customer receivables*.

# An American Forecast

## Problems of Our Declining Population Growth

MARK C. MILLS

*The publication of the 1940 census figures confirms what had already been generally accepted: that the rate of population growth in the last 10 years has been much less than in former census periods. Between 1930 and 1940 the rate of growth was only 7 per cent, or less than half the rate of 16.1 per cent between 1920 and 1930. MR. MILLS, of the Department of Economics, Indiana University, here looks beyond the present and discusses the possible effects of a stationary population on business and banking.*

**A**LTHOUGH it has not been sudden or unexpected the sharp decline in our population growth marks a fundamental change in American life and is bound to have far-reaching social and economic consequences. Because of the peculiar and strategic position which American bankers occupy in their communities the changes which are already taking place as a result of the decline in the rate of population growth should be of particular interest to them. More than any other group bankers have both the opportunity and the responsibility of taking an "over-all" view and a long-range view of the economic development of their communities and of the country at large.

It is easily seen that those industries and individual business concerns most closely connected with consumer interests will be directly and immediately affected. Many of these, as have many other businesses, have grown at about the same rate as the population. They have ridden the escalator of population growth and for them the important change that has come is that the escalator is slowing down and may eventually stop. If these industries continue to grow they must do so as the result of the intensity of their own efforts.

**T**HIS suggests one of the most baffling problems facing business management in the future. On the one hand is the declining rate of business growth with the possibility of a stationary population in a generation or two. This in itself would tend to limit the market. On the other hand, because the market is limited in total there will be a strong incentive to lower prices in order to make goods available to a larger proportion of the population, including the lower income groups.

But in order to lower prices it is necessary to lower costs. And in order to do this it is generally necessary to have a sufficiently large volume of output to take advantage of the economies of large-scale operation. This would seem to mean that a high premium will be placed upon good management and ability to cut costs and, in general, with the competition that will exist the profit margin will tend to be low. The conditions which put a premium upon efficient quantity production



**EXAMPLE:** Los Angeles has had the most phenomenal population growth of any city in the country. In 1900, when the above picture was made, its population was 102,000; its 1940 census was 1,497,000. As the author points out, with a decline in population growth, if Los Angeles industries are to keep pace with past records, they must do so as the result of their own intense efforts

inevitably lead to competition in services and, in the long run, will be reflected in prices.

The slowing up of the demand for consumers' goods will be directly reflected in the rate of capital investment and this in turn will affect employment. The ultimate effects of the changed rate of population growth upon saving and investment are difficult to predict but it is possible to point out certain factors that seem likely to influence the result.

Other things being equal, an old and well-developed industrial country or community is likely to have a higher standard of living than a new, expanding country where capital is scarce and only the most urgent and immediately profitable needs can be met. The consequence would be a tendency toward lower interest rates in the older community and higher interest rates in the new. The more conservative attitude of a stable society whose needs are no longer expanding rapidly would seem to encourage saving and the existence of lower interest rates. Also saving should be greater by reason of the fact that there will be fewer children to rear.

**I**N fact, there are those who believe that the most difficult investment problem of the coming decades will be to find outlets for mounting reserves of unneeded capital. On the other hand, more will be spent per child for education and in a population with a high percentage of people past middle age there will be a tendency to spend more for leisure-time activities.

Furthermore, running counter to the supposition that there will be more saving in the future is the

(CONTINUED ON PAGE 72)

# The Outlook for Modernization

HERBERT M. BRATTER

WITH the expiration on June 30, 1941 of the FHA's present authority to insure property-improvement loans, proposals are being made in Congress for another extension of the life of Title I of the National Housing Act. Three changes in the law are being discussed relating to the life of the amendment and to the conditions governing insurable loans under Title I.

Heretofore Title I itself has always been restricted to a one- or two-year life. The last renewal by Congress, that of June 3, 1939, was for two years. Now Title I extension for three years is being considered to render longer-term modernization loans eligible for FHA insurance. At the same time, FHA officials think it is very desirable that the size of individual insurable loans be increased. In place of the present maximum of \$2,500 for a modernization loan, FHA would make the limit \$5,000.

There are many blighted areas in our large cities which, it is believed would soon respond to the suggested liberalization of Title I. Business properties, also, would benefit from the change. Approximately three out of every four Title I loans are made for financing construction or improvement of single-family dwellings.

Last year was a record year for insured modernization loans. In 1940 under Title I 658,498 loans were made to a total of more than \$276,000,000. (Of these, only a small part,—8,480 loans totaling \$25,292,000—were for new home construction.) The 1940 volume was 18 per cent greater than that for 1939, and 12 per cent greater than the previous peak year, 1936. The 1936 volume, moreover, included household-equipment loans, which are no longer insured.

FHA Title I business during 1941, exclusive of defense, promises to maintain the 1940 volume.

The original lending under Title I was undertaken very largely by commercial banks, although in recent years finance companies have become increasingly prominent in that field. Many a commercial bank in the personal-loan business "cut its eye teeth" on Title I modernization loans with Federal insurance.

The main reason for the popularity of Title I loans with banks and other lenders has been that experience with them has been so much better than anticipated. While the volume of such lending has been going up, the loss ratio has been going down. Both the FHA and the lenders have gained valuable experience since Title I was introduced in 1934, and have accumulated a decalogue of "don'ts" which save loss.

FHA keeps close and constant check on each lender's loss ratio. Monthly reports are obtained from the 100 largest Title-I lending institutions, and the average loss ratio for the group is compiled. If any institution concerned reveals a loss ratio materially in excess of the above-mentioned monthly average, the FHA immediately gets to work to find out what is wrong. At



## What's to be Done in the Year of '41?

● NOW is the time to leave last year's problems behind. It's the time to prepare for the better business that well-defined signs indicate lie ahead for 1941. Merchants have reported an excellent holiday season. Everybody seems to feel better. It's the time for you to mesh the gears for future progress.

Merchants feel they are entering a buyer's market. They are seeking new products to sell, new merchandising methods and new ideas. Witness the variety of mer-

chandise at attractive prices now being offered. Observe the improvements in service here and there to help business. Nothing radical—just springing things up along the line.

Alert to the needs of the times, The Barnett National Bank is making an extra effort to give its customers a service which meets fully present-day requirements, standing, of course, on those sound principles of banking which are responsible for our strong position today. Merchants, their workers and their customers everywhere are always welcome to call on us to discuss their financial needs.



Member Federal Reserve System and Federal Deposit Insurance Corporation

**The BARNETT NATIONAL BANK**

of Jacksonville

DEPARTMENTS: Commercial • Travel • Collection • Safe Deposit • International Service • Loans • Savings • Insurance • Fire and Casualty Insurance • Personnel

THE OLDEST NATIONAL BANK IN FLORIDA

Business property modernization will be extended by liberalization of Title I of the National Housing Act

this writing the average loss ratio under the 1939 Act for the 100 largest Title I lenders is 0.54 of 1 per cent.

Contracts for insurance are granted, upon request, to any bank which is under Federal or state supervision, or any lending institution having \$100,000 capital and evidencing experience in the extension of instalment credit.

As to security for loans made under Title I, all that the FHA requires is that the lender exercise the best possible judgment. A lending institution having a Title I contract for insurance with FHA is covered on all losses up to 10 per cent of its aggregate Title I loan. This 10 per cent reserve is set up by FHA automatically, as the contracting bank's loans are reported to Washington.

The reserves set up under each periodic amendment to the National Housing Act, it should be noted, apply only to loans made during the life of the amendment. Thus, the 10 per cent reserve set up under the 1939 amendment applies only to loans made between July 1, 1939 and June 30, 1941, inclusive.

Through December 1939, out of \$966,000,000 of Title I notes insured, claims paid on defaulted notes totaled about \$24,000,000. On the latter the FHA



FHA modernization started with the home, but now the trend is toward improvement of business property. Above left, a typical home before modernization; center, the same home after improvements have been made; right, chart showing insured property-improvement loans between 1934 and 1940 distributed by type of lending agency



ultimately recovered \$8,500,000, mostly in cash, but partly in repossessed property items. During part of this period loans on household equipment were insurable. The net total of unrecovered claims was about \$15,450,000 for the period.

Should Title I be extended for three years with the FHA's present premium system, loan-agency officials feel confident that the latter, plus salvage from claims turned over to FHA—now about \$2,000,000 a year—will suffice to pay losses and those operation costs "directly attributable to the operation of Title I."

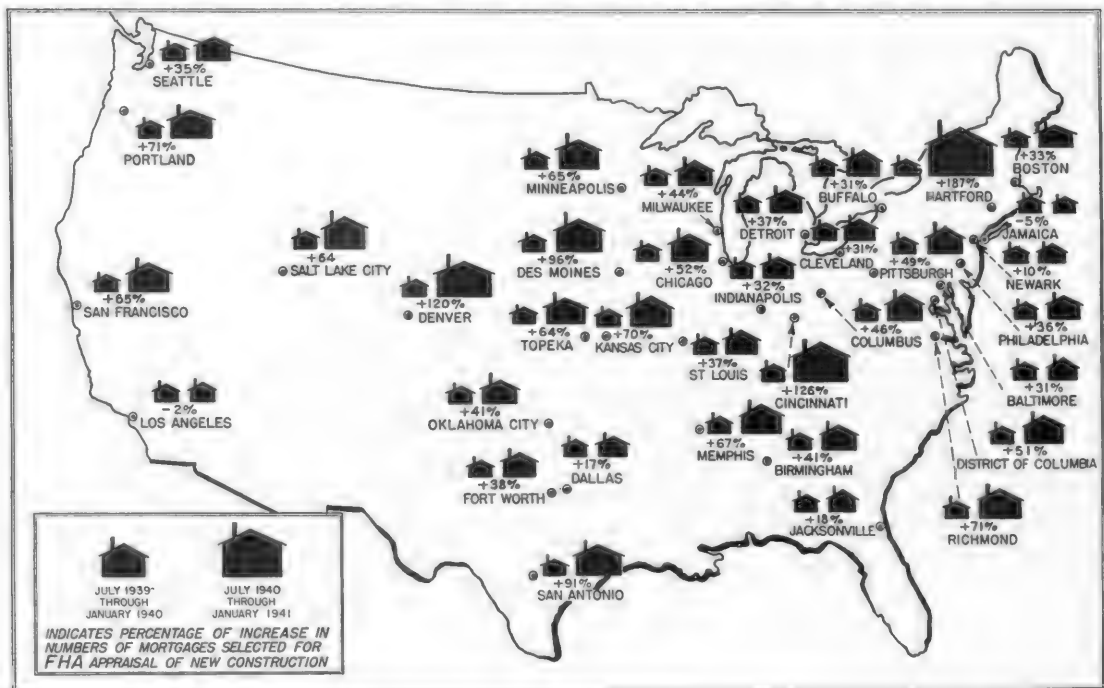
The success of FHA Title I should be judged by considering operations as a whole. The present Title I insurance premium,  $\frac{3}{4}$  of 1 per cent of the proceeds of the loan, is paid by the lender. Since premium system dates only from July 1, 1939, experience with it is

limited. FHA hopes, however, that with this premium, together with careful check on lenders' operations, Title I lending, originally conceived as a government subsidy, can be put on a business basis.

The fact that premiums paid by Title I lenders exceed total claims paid to date since July 1, 1939, should not be regarded as an unnecessary burden on the lenders. Rather, the difference may be classified as insurance expense, just as are fire insurance premiums.

As compared with the present 3-year maximum life of Title I loans, the actual average of such loans is 31 months. The average loan of around \$400 is much smaller than the present legal maximum of \$2,500.

**AND REGARDING TITLE II**—the chart below shows the effect of the defense program on new home construction under Title II of the National Housing Act—insured mortgages—in leading industrial localities





# The Month



WIDE WORLD



EUROPEAN

**DEFENSE**—Above left, Army officials checking a map on the site of the new \$12,000,000 ordnance depot at Anniston, Alabama. Right, the new 82 ton Army bomber designed for hemisphere defense being completed at Santa Monica, California



INTERNATIONAL NEWS PHOTOS

**HOURS and HOUSING**—Twilight at the busy Quincy (Mass.) shipyards. Three eight-hour shifts are necessary to keep up with Navy Department contracts totaling more than half a billion dollars. Above right, latest project at Columbus, Georgia, to house Army personnel of nearby Fort Benning. When the emergency ceases it is planned to turn the development over to families of low incomes

**AMBASSADORS**—We exchanged envoys with Great Britain, receiving Lord Halifax, shown below left with Secretary Hull, and sending John G. Winant, below right, to London



INTERNATIONAL NEWS PHOTOS



ACHX



BRITISH COMBINE



INTERNATIONAL NEWS PHOTO

**ABROAD**—It's "business as usual" in England—except for occasional unavoidable interruptions. *Above, left*, underwriters at Lloyd's go into their shelter after an air raid warning has sounded. *Above, right*, a British floating fortress of concrete and steel guarding the Isles



BRITISH COMBINE



WIDE WORLD

**THE ARMY HELPS**—*Above, left*, an army tank in London helps raise money. Note censor's obliteration of identifying insignia on tank's "fender." *Above, right*, Sir Archibald Wavell (right) discusses operations with one of his officers in northern Africa

**EMISSARIES**—Two prominent Americans have flown to the British Isles, conferred, toured, and flown back with their reports. *Below, left*, Anthony Eden and Harry Hopkins. *Right*, Wendell Willkie waves a greeting on his return to New York



HARRIS & Ewing



ACHR



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cates can be made, (3) greater speed and convenience in reference, (4) a 98% saving in filing space.

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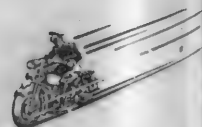
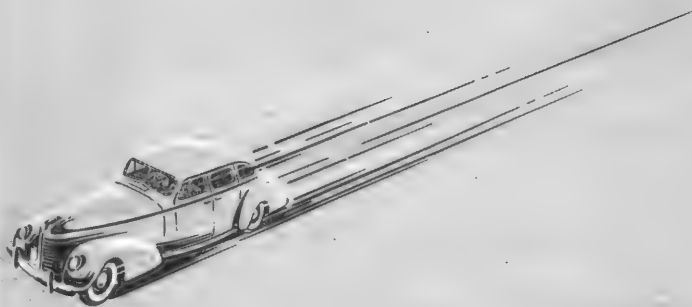


*Recordak Junior. For smaller banks, and special departments of large banks (tellers' cages, filing departments, etc.).*



*Commercial Recordak. For photographing all bank forms. Widely used for the Recordak System of Single Posting.*

### **RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS**

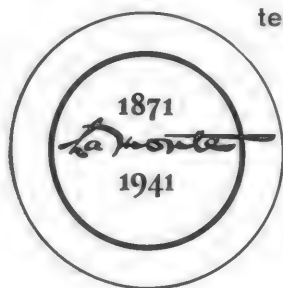


## The State Turns to La Monte for **PROTECTION!**

When a police officer demands your license you are in trouble if you cannot immediately produce documentary evidence of ownership of the car and of your right to drive it. » » Operators' licenses should be protected against alteration and counterfeiting. » » That's why

many States have these, as well as other important forms, printed on La Monte Safety

Papers, with the State's seal or insignia incorporated in the paper. » » La Monte Safety Papers were developed 70 years ago as a means of safeguarding checks and other negotiable instruments. They have proved so eminently satisfactory that they are recognized as the "standard of safety" for this purpose. » » Today, outstanding business organizations from coast to coast, including more than 75% of the nation's largest banks, use and endorse them.



**GEORGE LA MONTE & SON**

Nutley . . . . . New Jersey



# Planning with the Farmer

NORMAN J. WALL

*The author is head of the Division of Agricultural Finance of the United States Department of Agriculture.*

**B**ELIEVING that the most effective program building for agriculture begins at the grass roots, the United States Department of Agriculture and the land grant colleges have been developing since 1938 a new program known as county land-use planning. Through this cooperative organization nearly 90,000 farm men and women in 1,500 counties throughout the country are taking inventory of their resources, obtaining and analyzing the facts about their problems, and working out a set of immediate and long-time goals for agriculture in their areas. In addition, there are 45 state committees. Meeting at regular intervals in community, county, and state groups the work of these committees is of a continuous nature, designed to cope in each area with conditions that are continually changing. These recommendations of the planning committees serve the purpose of guiding individual and public action toward the goals considered desirable for each area.

Many bankers are cooperating in this program and giving advisory assistance to county planning committees on matters of agricultural credit. In Kansas, bankers take part in the activities of each of the 73 county committees in that state. In many parts of the country, however, country bankers have not become fully acquainted with this development. The purpose of this article, therefore, is to tell of the working plans of this program.

The need for the country planning program was based upon the rapid change that had taken place in the agricultural picture during the last two decades, particularly since 1929. Until after the last war the farmer's great problem was generally looked upon as one of production;

in the main, the more he raised the more money he made. In recent years, however, the farmer has found that he has to take into account such things as overabundance, lost markets, credit needs, soil erosion, and the exhaustion of natural resources—problems which can be met best through group planning and action.

**T**HE local-state-Department machinery for carrying out the county planning process is based on the foundation of the work carried on by the community and county committees. The operation of these committees may be described as follows:

Community committees are generally composed entirely of farm men and women, and, in many cases, include forest owners. They study local conditions and work closely with the county committee in making recommendations and in seeking needed action to effectuate the recommendations.

The county committee has a majority membership of farmers, with a farmer as chairman and the county agent as secretary. The county membership also includes local representatives of closely related state and Federal agencies, such as the Agricultural Adjustment Administration, Farm Security Administration, Soil Conservation Service, and other agencies operating in the county. Efforts are made to obtain a type of membership that will represent the views and interests of people in each county, including landowners, tenant farmers, farm laborers, sharecroppers, et cetera.

The work of the committees, both community and county, usually involves mapping and the development of a land-use classification for the various areas of the county. Work of this kind develops a picture of land resources, the present utilization of these resources, the

(CONTINUED ON PAGE 41)

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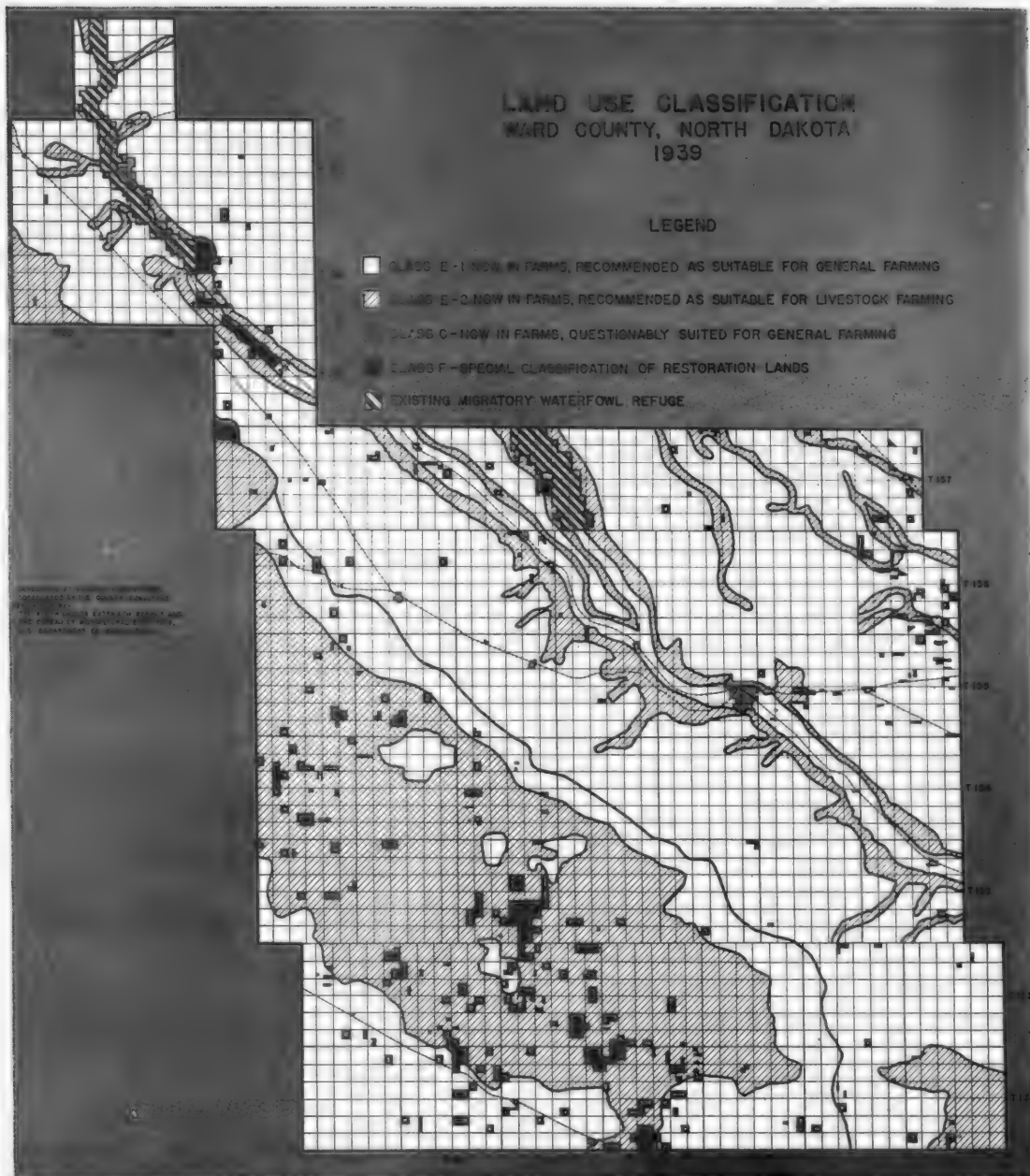
## Know Your Bank Customers

*An integral part of the A.B.A. Agricultural Credit Department's program under the leadership of A. G. Brown, as Deputy Manager, has been the emphasis on "Know Your Customer." An unusual opportunity is daily being offered to bankers in all sections of the country to get information concerning the interests, problems, farm operations, and needs of the bankers' farm customers through the governmental land-use planning program. In this article discussing the program in operation, Mr. Wall presents facts that should challenge the interest of every country banker and provide him with an incentive for direct, cooperative action with his own local planning committee.*

---

Committee members studying a land classification map





Above, the chart illustrates how land-use planning is done in a typical community—Ward County, North Dakota

Left, University of Tennessee Agricultural Extension Service—monthly meeting of the Wheat Community organization, which was attended by Commissioner of Agriculture John M. Goodman and Extension Service Director C. E. Brehm



County committee member interviewing a farmer on submarginal land

## Planning with the Farmer

(CONTINUED FROM PAGE 39)

problems associated with various kinds of land use, and the types of adjustments needed to deal with these problems. It calls attention to changes which should be made and suggests actions to bring them about.

Trained agricultural experts from the state agricultural colleges, along with administrators of Department programs, sit in with farmers in every stage of this co-operative planning. At the committee meetings the members simply take a joint look at the county, and reach decisions as to improvements that are needed and the avenues of help that are available for obtaining such improvements. The farmer knows what action he would like, the expert knows the technical facts about soils, cropping methods, et cetera, and the local program administrator knows what his agency can do to help accomplish the things desired by the committee. On this basis, plans, recommendations, and agreements for action are worked out along lines satisfactory to all concerned.

County land-use planning is not restricted to land use in its narrowest sense. The land is only the starting point and county planning committees can and have gone into almost all sorts of problems and objectives which concern their county and communities. The objective of the program is simply to improve the community and the county as a place in which to live and work. Sometimes, in order to attain this objective, it is as important to deal with problems such as health, schools, roads, and farm taxation, as it is to promote better land use.

The state land-use planning committee includes at least one representative farmer from each major farming area of the state, the director of extension, the director of the experiment station, the state representative of the Bureau of Agricultural Economics, and someone from each state or Department of Agriculture agency managing land-use programs in the state. The recommendations from community and county committees in

the state are referred to this committee for review and suggestions. In this manner, the needs of each county can be taken into account in formulating plans and recommendations for state-wide application. The state land-use planning committee, with the assistance of the Land Grant College-BAE Committee, serves as machinery to handle the broader type of planning activities. It is often the logical unit to assist in getting needed state legislation.

The results of local planning efforts may reach the Department in two principal ways. First, through the administrative channels of the Department's action agencies involving transmission of proposals and recommendations through local, state, and regional representatives of the agency concerned. Second, through the planning channel itself, involving community, county, and state land-use planning committees and the inter-bureau committees and the Program Board of the Department in Washington. In most instances, the proposals made by planning committees regarding modifications of an agricultural program are taken up with the agency involved through this administrative channel and mutually acceptable agreements for action are reached without presenting the proposal to the inter-bureau committees except for information purposes.

When recommendations of committees arrive in Washington from the states, the same effort is made to fuse the opinions of farmers, technicians, and administrators into workable plans. When proposals made by the committees reach the Department of Agriculture they are placed in the hands of the Interbureau Coordinating Committee, of which the chief of the Bureau of Agricultural Economics is chairman, for consideration by the Interbureau Committee's subcommittee in charge of handling these recommendations.

This subcommittee is composed of representatives of all the operating agencies that are interested in the recommendations, and includes technicians who are working in the fields with which the recommendations deal. The subcommittee then endeavors to reach full

agreement of all members on the adoption of a report. Thus once more the fusing or synthesizing process is at work, so that everyone connected with the job—administrators, technicians, and farmers alike—understands the problems and the recommendations and is prepared to do his part toward putting the plans into effect after agreement is reached.

The next step is the sending of the report of the Inter-bureau Coordinating Committee, which acts through its subcommittee, on to the Agricultural Program Board of the Department and to the Secretary of Agriculture. By the time this is done the problems of any one county have been subjected to an intensive analysis, and the steps proposed to deal with those problems have evolved from thorough, sympathetic study by every participant in the planning process.

**P**LANNING committees were active in 1,540 counties during the last year. Reports of activities of these groups show they have concerned themselves with a wide range of subjects. These include conserving natural resources, improving rural living conditions, and adjusting school costs and organization. In addition, they offered counsel on state and local legislative and administrative policy, on the adaptation of state and Department programs to local conditions, on measures to facilitate coordination of agricultural programs, and possible achievements through cooperative undertakings, and on orientation of educational programs.

Land-use planning was not, of course, solely responsible for all of this action. In some instances, steps toward solutions probably would have been initiated without it; in others, land-use planning provided the additional stimulus needed to obtain results; but in many instances the committees identified problems, proposed remedial measures, and sponsored the corrective action.

With more than a thousand counties engaged in this planning program, the problems and work in each county vary widely. In each county, the planning committee is working along lines suited to the specific needs and desires of the counties. Farmers in some counties are interested in getting soil conservation districts established, and are working toward that end. Others are more interested in trying to discourage the continued occupancy of poor lands, or in attacking problems of

farm tenancy, housing, education, health, marketing, et cetera. In fact, the types of work that it is possible to do are endless.

The experience and judgement of those extending credit to farmers, particularly country bankers, may prove a valuable contribution to the work of the planning committees. Many of the types of adjustments being suggested by the committees will require financing to make them effective.

**T**ETON County, Montana, is one of the counties participating most actively in the program. Planning committees have been functioning for some time in this county. These Teton County farmers, in conjunction with representatives of action agencies and technicians, have determined that a major problem in the county is the presence of approximately 20,000 acres of land now being tilled which is unsuitable for cultivation.

Some decisions the Teton County committee arrived at, and the action the various interested agencies agreed to take, illustrate the effectiveness of this program.

The Agricultural Conservation Committee—the farmers' administrative committee under the AAA program—agreed to encourage the retirement from cultivation and the reseedling of low-grade lands by not allowing any low-grade lands to be included in the AAA program as cropland.

The Farm Security Administration is cooperating with the committee by not making loans for the cropping of low-grade plow and grazing lands, and is assisting in all ways possible under present regulations to increase the size of such farm or ranch units as are now definitely too small, and in organizing livestock units.

The Farm Credit Administration is making a special effort in the county to assist in increasing the size of units now definitely too small through loans for purchase of additional lands, sale, or lease of lands.

The State Land Department is discouraging the breaking up of low-grade sod and abandoned farm lands under its control, and is trying to get its low-grade farm lands back to grass, to be used solely for grazing.

These are part of the accomplishments in Teton County that followed planning. In larger or smaller measure, similar work is being carried on throughout the country.



The committee of Ross County, Ohio, reviewing a progress report



# THE HOME INSURANCE COMPANY NEW YORK



STATEMENT • DECEMBER 31, 1940

## *Admitted Assets*

Cash in Office, Banks and Trust Companies . . . . .	\$ 24,549,296.62
Bonds and Stocks . . . . .	87,947,462.42
First Mortgage Loans . . . . .	371,827.00
Premiums uncollected, less than 90 days due . . . . .	9,393,129.47
Reinsurance Recoverable on Paid Losses . . . . .	1,241,546.24
Other Admitted Assets . . . . .	223,654.08
	<u>\$123,726,915.83</u>

## *Liabilities*

Capital Stock . . . . .	\$15,000,000.00
Reserve for Unearned Premiums . . . . .	55,020,615.00
Reserve for Losses . . . . .	8,192,729.00
Reserve for Taxes . . . . .	2,350,000.00
Reserve for Miscellaneous Accounts . . . . .	670,974.12
Funds and Securities Held under Reinsurance Treaties . . . . .	178,218.08
NET SURPLUS . . . . .	<u>42,314,379.63</u>
	<u>\$123,726,915.83</u>

NOTE: In accordance with Insurance Department requirements—Bonds amortizable are carried at amortized values. Insurance stocks of affiliated companies are carried on basis of pro-rata share of Capital and Surplus. All other securities at Market valuations. Securities carried at \$3,078,370.00 and cash \$50,000.00 in the above Statement are deposited as required by various regulatory authorities.

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# Farming Out Defense Orders

## *The "Bits and Pieces" Program Expedites Production*

**T**HROUGH steps taken by the OPM, small businessmen are being more closely geared into the defense program. The promotional period is largely over, and the time of execution begins.

In the December issue of *BANKING* Donald Nelson described how the Federal Reserve system would function to decentralize the dissemination to businessmen of information concerning the operations of the program of armament. Mr. Nelson was then Director of Small Business Activities of the NDAC. In January 1941 that part of his work was turned over to John Biggers, and thus the NDAC's office of small business activities became a section of OPM known as the Defense Contract Service. This section, under the direction of Robert L. Mehornay, continues to work in intimate collaboration with the Federal Reserve system. The latter is now provided with expert technical assistance and facilities information in each of its 36 district and branch offices.

Since October, Sidney Hillman's industrial engineer, Morris L. Cooke, and the latter's staff, have been directing an educational effort toward the fuller utilization of the available industrial facilities of the country:—ghost areas, idle factories or units adaptable for defense work, and the like. Since Mr. Cooke's educational campaign began, approximately 150 communities have organized for the fuller utilization of local facilities. But the effectiveness of such efforts will be greatly increased by the new tie-in with the Federal Reserve system.

**T**HE ghost areas, it is pointed out, are relatively few, although they constitute a grave national problem. The "bits-and-pieces" program is not so much a question of utilizing ghost-town facilities as a matter of making the needed goods where they can be made the quickest. The bits-and-pieces effort, moreover, should not be confused with the decentralization of manufacturing activity for strategic or similar reasons.

The subcontracting method of utilizing potential defense-manufacturing capacity has been highly perfected in Europe. The English call it "bits-and-pieces". Here it is known as subcontracting or farming out work. The present system is the creation, for the various Federal Reserve districts, of pools of information to encourage and facilitate the subcontracting of defense contracts by primary contractors, and to avoid as much as possible delays due to searching for available plant capacity or the educating of subcontractors. The new set-up gives to each Federal Reserve office not only an experienced industrialist as a \$1-a-year coordinator, but also a staff of well-paid factory engineers and technical trouble shooters whose services are provided free of charge to the subcontractor. The idea is that the Federal Reserve Bank will know from day to day just what idle facilities are available in its district.

This new set-up both welcomes and seeks the active

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### Another Call to Serve

*Because commercial bankers are in close touch with the industrial life of their communities the banking fraternity can be especially helpful to the national defense effort by utilizing the newly set up defense contract service. A great many manufacturers who for years have been making a single line of products do not immediately visualize the flexibility of the American industrial machine. That is where the community banker fits in. His contacts are broad; his sources of information generally more rapid and more diversified than are those of his customers individually. By grasping the possibilities of subcontracting defense work, the local banker has a most important educational role to play in the present national armament effort.*

*The Office of Production Management through the defense contract service working in close collaboration with the Federal Reserve system stands ready at all times to pass along all available information on successful methods and techniques of subcontracting that come to its attention through its nationwide contacts with producers of defense equipment. Bankers are urged to utilize this new service to the full.*

—ROBERT L. MEHORNAY  
Director  
Defense Contract Service

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cooperation of all local agencies such as chambers of commerce, trade associations, substantial voluntary groups of small manufacturers and civic bodies, and state or local "defense" organizations. Financing of subcontractors and contractors is a vital element as the story unfolds, and hence banks perform an indispensable function in the subcontracting program.

**T**AKE a gun, for example, or a cartridge. The whole gun or cartridge may be made in a single factory, or it may be made part here and part there. A manufacturer who thinks he can make a certain part used in making a gun or cartridge may arrange with his nearest Federal Reserve office to consult the necessary blueprints. Similarly, a manufacturer who would like to subcontract a part of his defense orders may at the Federal Reserve Bank learn the names of possible subcontractors with appropriate and idle facilities. If there should arise a question of civil, mechanical, mining, electrical or chemical engineering, through the Federal Reserve office

there will be available skilled technical advice, for use in suggesting a logical breakdown in a contract into logical parts or assemblies for subcontracting.

In further developing this program the DCS is utilizing the services of Joseph L. and Francis Trecker, of the firm of Kearney & Trecker, Milwaukee manufacturers of milling machines. According to the War Department, "this firm easily has the best farming-out record in the whole country" and has been working 24 hours a day seven days a week "by reason of the fact that much of the work has been farmed out to nearly a hundred small firms ranging all the way from Marblehead, Mass., to Kansas City, Mo." Another outstanding American example of farming out is the Sperry Gyroscope Company, which uses scores of small contractors in and around Long Island City.

As reported in a bulletin of the NDAC, other good examples are the Pratt & Whitney Aircraft Corporation, division of United Aircraft; and Wright Aeronautical Corporation.

But these are the more obvious cases. The less obvious opportunities are innumerable. To take one example, recently Canadian interests were negotiating for the purchase of the machinery of an idle Rhode Island plant, until the management realized that by farming out it could take on an important contract which the British Government had been unable to place. Several other New England plants were lined up for subcontracts, and the Rhode Island factory is now fully occupied.

The First National Bank of Boston has put the matter clearly in stating: "The defense program will call for the construction of new plants, but this expansion should be approached with prudence and a serious regard for the future. It would be unwise to increase the productive capacity in a particular line far in excess of peacetime requirements and thus leave a heritage of maladjustments. From the long-range point of view, it would be much more constructive, wherever possible, to make maximum use of present facilities and give the defense orders the right of way, with the remainder allocated to civilian demand. In this way there would be no important surplus commercial plant facilities to plague us after the defense program has been completed."

Finally, the bits-and-pieces policy avoids migration of workers from their homes to the great industrial centers, thus tending to forestall serious housing shortages and the post-emergency adjustments which would otherwise result. Admittedly, farming out entails a certain amount of added supervisory work on the part of the main contractor, technical instruction and consultation with subcontractors, and the like. If the subcontracting can be kept within a limited area, however, this should not constitute too difficult a problem.

UTILIZATION of small units of production has been highly successful in Great Britain since it was first applied there in 1938. According to Mr. Cooke of the NDAC, the German Government, in connection with its rural electrification program, pushed the sale of portable electric motors of from one to ten horse-power, ostensibly to provide means for the electric utilization of feed grinders, milking machines, compressors for refrigeration

and other farm appliances. As far back as 1937 sealed crates of machinery were delivered to these electrified farms. The farmers were told to hold these crates in storage, as they contained machinery for making toys, etc. When the march into Poland began, instructions came to unpack the crates and to set up the machinery in barns or elsewhere on the farm property. Each machine turned out to be a drill press, or a punch press, or a drop forge tooled up to produce some small product needed in the manufacture of war supplies. Next, supplies of semi-finished materials arrived at the farm and the farmer was taught how to make a rivet for use in airplane assembly, or how to punch rivet holes in a plate for tank armor.

In the United States Mr. Cooke states, there are thousands of small plants already staffed, running at about one-third capacity. Also there are approximately 10,000 home or cellar shops which could contribute in some way to the defense program. For example, the NDAC recently received a letter from a man who makes precision instruments for museums. Such a man can do something to help the arms program.

The farming-out program has the active endorsement of the Army and Navy. William Green of the A.F. of L. has stated that organized labor also is in full accord.

The Labor Division of NDAC in February published a bulletin, "The Problems of Organization of Farming Out," which is available free upon application.

Coupled with the defense authorities' efforts to increase the farming out of government contracts has been the work of the agricultural division of the NDAC aimed at decentralization.

These .50 calibre machine guns are being inspected in the ballistics laboratory at Springfield (Mass.) Armory



NATIONAL DEFENSE ADVISORY COMMISSION

# Income Tax Pointers

## I. Who must file a return?

THERE are two arresting facts in the 1940 Income Tax Law. First, basis for determining liability for return has been changed from net income to *gross income*. Second, the exemptions have been lowered from \$1,000 to \$800 for a single person and from \$2,500 to \$2,000 for a married person or head of a family. Thus, every citizen or resident of the United States must file an income tax return if single or not living with husband or wife and his or her gross income is \$800; or if married and living with husband and wife and the aggregate gross income equals or exceeds \$2,000.

## II What types of compensation should be included?

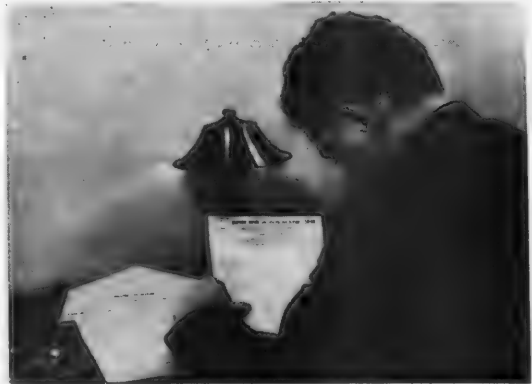
ALL types of compensation unless specifically excluded by statute should be included in the gross income return of the taxpayer. In addition, all salaries, wages, fees and commissions, all bonuses, tips, prizes, awards, retiring allowances for past services, honorariums, and other forms of compensation are rated as part of one's income. If a person is paid in whole or in part for his services in other than money, the fair market value of the thing taken must be reported as income.

## III. What personal exemptions are allowed?

THE head of the family or married person is entitled to an exemption of \$2,000. A credit of \$400 is allowed for each dependent. The head of the family is defined by income tax regulations as one who because of a legal or moral obligation supports and maintains in one household an individual or individuals closely connected with him by blood, marriage or adoption. A dependent is one under eighteen years of age or one who is physically or mentally defective and incapable of self-support. He need not live with or be related to the taxpayer.

### Government Contracts

The 1940 pocket part supplement to the third edition of *Law of Government Contracts* (Federal) by R. Preston Shealey of the Washington Bar has been issued by Federal Company, Washington, D. C. This book (\$10) is an applied interpretation of leading court decisions and administrative rulings on virtually all phases of Federal contract law. Particularly important is the interpretation of some recent legislative enactments vital to the defense program. Included is a complete statute appendix of important Federal contract legislation, permanent and temporary, with a summary.



The Ides of March

## IV. What is the Tax Rate?

A NORMAL tax of 4 per cent on the amount of the net income arrived at by deducting legal exemptions and credits from the gross income. The surtax on the net income in excess of \$4,000 and a defense tax of 10 per cent of the combined normal tax and surtax.

## V. Are taxes deductible?

IN general, taxes are deductible only by the person upon whom they are imposed. Taxes on real estate and personal property paid during the year 1940 are deductible. So-called taxes which are assessed against local benefits, such as streets, sidewalks, drainage, and other like improvements, are not deductible but are to be capitalized, as they tend to increase the value of the property and thus constitute cost of a permanent improvement. The Federal income tax may not be deducted. Income tax, however, paid to the State by an individual on his income is an allowable deduction in his Federal income-tax return. An individual may deduct the tax on his telephone conversations, radio messages, telegrams, and cables, and on the rent of his safe-deposit box. The Federal taxes on automobiles, gasoline, cigarettes, and liquor are imposed upon the manufacturer, producer, or importer, and are not deductible by the purchaser or consumer. Whether or not the gasoline tax, the use tax, or the sales tax levied by a State may be deducted by the individual purchaser depends upon the terms of the state law imposing the tax; consequently, the right to the deduction, as between purchaser and seller, varies in the states.

For official definition of "borrowed capital" see page 79 of this issue.





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# Safe Deposit Liability

HORACE ERVIN

*What kind of a business is safe deposit? From the banking point of view it is a stepchild; from the profit angle, an afterthought. Legally it can be a "sucker" business packed with dynamite, for it may be an excellent way to acquire \$200,000 liability for \$2. This article discusses the three major types of insurable claims that originate in the vaults. An article next month will examine the depository's legal relationship to its depositor and analyze the Safe Deposit Liability Insurance policy. HORACE ERVIN is with the advertising firm of Albert Frank—Guenther Law, Inc., New York.*

HERE, after all these years, comes John Jones, a safe deposit box renter. Just been down in the vaults, no doubt. Spendthrift fellow, Jones. Was taken in with his wife back in 1912 by Farmer Smith who later committed suicide, leaving all he had to the couple. But there's something forbidding in Jones' walk. His face is pale and anxious. He approaches your desk but doesn't greet you—just stares you in the face and mutters:

"Somebody's been tampering with my safe deposit box."

You begin to get up out of your seat.

"\$14,000 is missing," says Jones between his teeth.

You try to tell Jones there must be some mistake.

"I'll have the law on you," he threatens.

This is all you know about it. John Jones has been around for decades. He's had a box for 20 years. He's lived abundantly—a little on the extravagant side since the death of his benefactor in 1920, the year after Jones rented your box which was said to contain \$14,000. Now Jones says he's missing the \$14,000 and institutes a case of *prima facie* negligence against your bank. Next thing, the jury returns a verdict against you establishing negligence. You have to pay a judgment of \$14,000.

NOT LIKELY? On the contrary, it happened. The case is still on. It has been remanded recently to the lower courts and is being watched and studied carefully by attorneys for its general effect on safe deposit negligence and liability. It may still come out the same way. But if it doesn't, there are plenty of other cases which demonstrate the extraordinary character of many claims that banks have to cope with. Here are some convincing specimens:—

Plaintiff deposited \$4,000 in a safe deposit box, half of which was missing when she again opened the box. It was held that where access to a box from which money was stolen could be had only by use of two keys, one in hands of the depositor and one in hands of the bank, the bank must produce evidence to account for the loss, or, in other words, must excuse its failure to produce the property sufficiently to rebut the *prima facie* case of plaintiff in proving deposit and abstraction of the money.

The following case developed from criminal daring:—

The Trust and Safe Deposit Company on the night of the burglary had two persons in charge of its night depository, one in charge of the desk outside the vault and one in the vault. Four men entered the bank, rented a safe deposit box and entered the vault. They presented their cards authorizing access, drew guns, bound the watchman and rifled the boxes. In holding the deposit company liable for \$34,500 lost by plaintiff, the court said:

"Defendant was bound to use ordinary care to safely keep the deposits. Under such conditions we can see no reason to depart from the ordinary rule that where a bailee receives property and fails to return it, the presumption arises that the loss was due to his negligence and the question whether he used due care or not is a proper question for the jury to decide."

ANALYSIS of bank experiences and court cases prove conclusively that safe deposit litigation is usually of unexpected, hidden origin, and that it may arise, as suggested by Fidelity and Casualty Company, from three major causes: I, negligence; II, mysterious disappearance; and III, fraudulent and erroneous claims. No matter into which category a case falls, it is worth noting that litigation has a sweet tooth and court proceedings are as dear as they are strung out. Even before reaching the courthouse steps, the process of investigation with all its time and trouble is an expense item of no minor degree.

## I NEGLIGENCE

UNDER this category, the bank may be held liable for loss of contents of a box caused by negligence of the vault custodian, other individuals or officers in the employ of the bank. The claimant, it is true, must prove negligence on the part of the depository, for without this there is of course no recovery. Still, as Great American Indemnity Company points out, there is an abundance of law holding that mere disappearance is *prima facie* evidence of negligence.

Under this condition the circumstances are legion under which a claimant might win judgment, if only he can establish negligence on the bank's part! Burglary or theft, damage by fire or water and other hazards fall between these brackets.

THERE seems to be no maximum for the errors of judgment which officers and custodians might make and thus render their institution liable by law. Time and again the courts have shown a disposition to brand as negligent instances of oversight, absent-mindedness, forgetfulness, carelessness and other common foibles ordinarily passed over as human addictions. In some jurisdictions an action in tort may be brought against the depository alleging negligence because the method of running its business differs in some respect from common procedure.

## II MYSTERIOUS DISAPPEARANCE

UNDER this limitless group of losses appear cases where the box renter produces evidence to prove that (1) he has deposited money, securities, jewelry and other valuables, and that (2) they have disappeared. In this way he establishes presumption of evidence against the depository. The bank must then prove that disappearance did not result from any fault or negligence on its part. The following case, cited by Hartford Accident & Indemnity Company, illustrates mysterious disappearance:—

On evidence of plaintiff that she rented box and deposited therein \$1,250 which was missing when the box was again opened, there was a presumption that the loss was due to negligence of the bank and the burden was on the bank to show that it exercised the degree of care required by the nature of the bailment. The court stated in this case:

"To call upon the plaintiff, under such circumstances, to prove some specific act of negligence by which her money was lost, and which she must necessarily prove by the defendant's employees, would impose on her a practically impossible burden."

## FRAUDULENT AND ERRONEOUS CLAIMS

UNDER this classification crimes that are unusual, unlucky and unbelievable make their bow. A case in point is the suit brought for \$5,000 of Liberty Bonds which the renter said were placed in his box.

It was finally discovered that claimant had never owned the securities in question and naturally could never have deposited them. For its forced participation in this mockery, the bank had to foot a bill for investigation and attorneys' fees amounting to a mere \$700!

If it is kept in mind that the burden of disproving negligence is usually the bank's, even if negligence is only presumed, the bank becomes a target for dishonest and fraudulent claims. A malefactor has only to rent a box, fashion a hook on which to hang the bank's negligence, and then fabricate loss.

Not all claims are hoaxes. Many can be ascribed to the slipping memory of box renters. In any event, it is impossible to foresee from what sources claims are apt to be asserted, as American Surety Company reminds, and undoubtedly it will be necessary for the bank to seek experienced advice.

In April *BANKING*, the Reporter will continue the topic of safe deposit liability with a discussion of its legal aspects and of forms of insurance in current use.

March 1941

## The Treasury Reports

THE 873-page Treasury report for 1939-40 contains much valuable statistical information for the research student. One very useful exhibit is Exhibit 37, "Taxes of the United States, 1913 to 1940, rates, exemptions and credits."

On the subjects of banks and Government securities since June 1932, the report makes the following comment:

"The foregoing table shows that in nearly every year during the period covered commercial and savings banks and insurance companies absorbed sub-

stantial amounts of Government securities.

"In 1935, as a matter of fact, this absorption was nearly equal to the total increase in public issues. This institutionalization of investment has been one of the significant phenomena that has been noted in the capital markets.

"Individuals and nonfinancial corporations appear to have preferred to place their funds available for investment in bank accounts and insurance policies, instead of undertaking directly the investment of these funds . . ."



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BOND DEPARTMENT

**The First National Bank  
of Chicago**

# METHODS and IDEAS

This department of **BANKING** is conducted by our **Methods and Ideas** reporter, John J. McCann.

## On the Air

**T**HE FIRST WISCONSIN NATIONAL BANK (Milwaukee) launched a new bi-weekly radio program at 6:45 p.m. on Station WTMJ recently, titled "Life in the Army". It consists of informal interviews with Milwaukee and Wisconsin boys in training at Camp Beauregard, Louisiana. The program has quickly attracted a wide and eager audience among the families of the conscripts, all of whom react to the main build-up: "You may hear your son on the air". The nature of the program is largely human interest. Impressions of army life, individual experiences, messages for home, and the like make interesting conversation. Here is a new type program that kills two birds with one sound wave: It cannot help selling army life to potential volunteers, and it does a splendid job of selling banking services with the commercials. There is also, to be sure, a certain amount of sound public relations to be achieved.

## Drive-in Auto Loans

A GOOD MERCHANDISING SLANT for banks with "drive-in" facilities is suggested by the latest promotional efforts of the Morris Plan of San Francisco. In conjunction with its new and used car financing, the company makes a strong bid for collateral loans on automobiles. The service is presented on a "drive-in" basis with emphasis on the ease and dispatch with which such loans may be completed. Prospects are invited to use the basement parking space, step upstairs to the loan department, and complete the transaction within 15 to 20 minutes. Repayment schedules may be spread over 12 to 18 months, and cars may qualify whether or not they are fully paid for. The service has a unique appeal in that it stresses funds without fuss on the most convenient basis from a most reliable source.

## Bond Offerings

THE NEW YORK HERALD TRIBUNE introduced a new idea in financial advertising to the public in its annual financial forecast and review issue. A large block advertisement, approxi-

mately 1,000 lines, contained varied municipal and state bond offerings of 37 investment banking houses. Some 163 different issues of municipal units from 28 states were included. Investment firms in Chicago, San Francisco, St. Louis, Boston, Philadelphia and New York City cooperated. Inquiries revealed that this was the first attempt at group merchandising of gilt-edge municipal bonds held on inventory.

## Commuter's Branch

IN A NICHE about five feet by seven, formerly occupied by a bootblack, the First National Bank of New Rochelle (New York) will open a commuter's branch in the local station of the New York, New Haven & Hartford railroad. The railroad and Comptroller of the Currency have given the new enterprise official blessings for the opening scheduled about April 1. The fact that a large number of commuters found banking in New York City more convenient than at the local main office three blocks from the station gave rise to the idea. The branch will be open from 7:12 a.m. to 11 a.m. to accommodate the early hour rush and the later, more leisurely crowd city-bound for shopping.

Seniors at Venice High School in Los Angeles operate a bank as part of their basic instruction in banking procedures, which serves 2,360 pupils. Bank officers are chosen from the business class students



## Prize Pix

THE FLATBUSH OFFICE of the Lincoln Savings Bank (Brooklyn) has attracted widespread interest to its series of "salon" lobby exhibits. The first of the series was entitled "In the Beginning", a showing of photographic records of how many great American industries started business. The second exhibit placed on view the famous national contest winners in the annual news-photo competition. The most recent display was devoted entirely to a collection of Lincolniana, including many items loaned by the bank's customers and other sources. Plans have been made to continue a semi-monthly exhibit of this type for the next several months.

## Retirement Plan

THE MORRIS PLAN BANK of Virginia recently announced a new retirement annuity plan for officers and employees. Each member of the staff who is 25 years or more of age, with one or more years of service, is included in the program. The bank pays for the cost of annuities for all past service to date. Future payments will be divided equally by the personnel and the bank. Under the program, employees upon reaching 65 may retire with an income which,



combined with social security benefits, will equal approximately 50 per cent of their average earnings during their term of service with the bank. Out of more than 200 staff members, some 110 are now eligible and all have voluntarily subscribed.

### Public Relations

QUEENS COUNTY (New York) merchants cannot overlook the cooperation and patronage of members of the staff at the Standard National Bank, Woodside, Long Island. With each purchase of personal goods, officers and employees hand out small red identification cards as evidence of their connection with the bank. The idea is to impress local merchants with the loyalty of employees to home industries, and incidentally to the bank's customers and prospects. And also, to prove its case by earmarking the volume of dollars and cents spent in this regard in bank payroll funds. The plan has aroused considerable comment.

### Showing the Colors

AN INGENIOUS DEVICE called the "Air-way Flag Staff" is called to our attention by the American National Bank of Kalamazoo. This polished, nickel-plated staff is 54 inches high, with a silent motor in the base which creates an air current that keeps a 16 x 24 inch silk flag continually in motion. The bank has this unit on display in the center of the lobby where it attracts much interest and favorable comment. "These days", says Dunlap C. Clark, president, "we feel that every American business enterprise should proudly 'show its colors'."

### Drive-in-Park Service

NOW THAT ARCHITECTS have taken a hand in more practical bank designs, we begin to see the problems of the motorist disappear. For example, the new branch annex of the Buffalo (N. Y.) Industrial Bank will feature not only an "auto-teller" window to accommodate customers on simple transactions, but also provides parking space for 10 cars. The branch is being constructed on a narrow lot, allowing driveway and parking space from street to street.

### Newspaper

THE BERGEN TRUST COMPANY, Jersey City, N. J., christened its new bi-weekly newspaper "Square Business". Editorially it is a masterpiece of human interest, business gossip and timely morals. Squibs are taken from the news generally and frequently items, in the nature of service plugging, are drawn

from day-to-day banking transactions. Under the masthead of the first issue appeared this spirited answer to the question "What does a bank know about running a newspaper?" "We can try". Policy apparently treads the safer paths on such sections as "Market Tips"; the issue simply advises the reader to watch the ships shuttle on the river—business will be better bye and bye. In all, the paper is well edited and widely read.

### Associations

ANOTHER THOUGHT which seems to be more generally used in bank statements

this season than at any previous time is the listing of association memberships on printed folders and in newspaper advertisements. And the consensus definitely seems to be that this policy serves a worthy purpose. It indicates the cooperation and participation of the bank in national, state and local banking activities and implies that it may draw upon the contacts and experiences thus gained. If nothing more, it credits such associations, by the mere listing, with the prestige and values each member enjoys. A case in point is the First National Bank in Palm Beach, Florida. This institution lists: Federal Reserve

# Dependability

CUSTOMERS and correspondents alike know that they can depend upon Mercantile-Commerce. Not only for the swift, efficient handling of routine matters, but for those special problems in which our 84 years of banking experience and extensive contacts are of proven value.

As the services of this bank are called upon again and again, the feeling of dependability increases and strengthens through the years. It is a most important background for any business and banking relationship.

In the key city of St. Louis, Mercantile-Commerce offers complete, experienced, *dependable* correspondent service.

## MERCANTILE-COMMERCE

Bank and Trust Company

SAINT LOUIS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

System, F.D.I.C., local clearing house, Financial Advertisers Association, A.B.A. and state memberships.

The Bank of Elkins, Arkansas, notes in its last statement that it is a member of the F.D.I.C., the American Bankers Association and the Arkansas Bankers Association.

### Sales Packet

THE INDUSTRIAL NATIONAL BANK of Chicago wraps up a unique package of sales-aides for local insurance agents cooperating in the merchandising of the bank's one-rate financing plan for new and used cars. The kit contains

samples of printed literature available for name imprints in whatever quantity the individual may be able to use effectively. The material includes two attractive folders, personal post cards, self mailers, large and small blotters and poster stamps, all in color. They are offered without charge for use in letters, on policies, counters and calls, for distribution in homes and offices.

All copy is keyed to the slogan "One-Rate Auto Finance Plan"—\$5 per year per \$100—and ostensibly the insurance agent, in the literature, talks the Industrial plan without too obvious a tie-up. A special "educational" offer

is made in one of the leaflets bearing the bank imprint to finance the premiums on public liability and property damage insurance for \$1 on a six-payment plan.

### Trust Fee

THE BANK OF THE MANHATTAN COMPANY (New York) has initiated a service charge for rendering the customary summary statements to beneficiaries of trust accounts for income tax purposes. Although the same information is contained in the income statements issued to beneficiaries from time to time, so many have indicated a preference for special summaries at this time of year that the practice has been adopted to all accounts. The fee for each summary will be \$5 deducted from the next income remittance to the individual. In a recent form letter announcing the new policy to trust customers, the bank explained the purpose of the fee and advised that summary statements will be forwarded unless otherwise instructed.

### Employee Report

THE PEOPLES-PITTSBURGH TRUST COMPANY follows the rather recent policy of many industrial firms in issuing a special annual report to employees.



REPORT


TO EMPLOYEES

1940

PEOPLES-PITTSBURGH TRUST COMPANY  
PITTSBURGH, PENNSYLVANIA

In a 16-page booklet, the company outlines accomplishments of the year with specific mention of certain members of the staff and others who have helped materially to attain these aims. Various sections are devoted to an explanation of the bank's new retirement program, policies in regard to peace-time military service, income, expenditure and profits


BANKING



# "MENTAL COMFORT"

Here's property insurance that gives you your premium's worth in protection, plus *mental comfort* every day. Sold through Home-Town agents and brokers and backed by the Strength, Permanence and Stability of Fireman's Fund, it provides the *right to feel secure*. ★ Always worth par when misfortune strikes, a Fireman's Fund policy has behind it assets of over \$42,000,000 and policyholders' surplus of over \$23,000,000, with ample reserves to meet every conceivable contingency.

Over 11,000 Agents



Fire • Automobile • Marine • Casualty • Fidelity • Surety

## FIREMAN'S FUND GROUP

FIREMAN'S FUND INSURANCE COMPANY

HOME FIRE & MARINE  
Insurance Company

FIREMAN'S FUND  
Indemnity Company

OCCIDENTAL  
Insurance Company

OCCIDENTAL  
Indemnity Company

New York • Chicago • Los Angeles • Boston • Atlanta

DEPENDABLE INSURANCE SINCE 1863

for the year. Advertising and sales promotional activities are also explained, giving the employee an idea of what methods will be used in 1941 and the services to be featured. A simplified comparative statement of condition is also shown with an analysis of deposits. The opening paragraph states: "We feel it highly important that you have the fullest possible understanding of the company's progress and policies, so that you will know its objectives and so that each employee will have a clear picture of his or her relationship to the whole institution."

### Service Charge Schedule

THREE WORCESTER (Mass.) banks have announced a revised schedule of service charges on checking accounts which sets up a basic "maintenance of account" charge of 40 cents a month and establishes new rates for checks paid, deposits, and other miscellaneous items. The new plan is figured on a cost basis, eliminating minimum balances. The schedule calls for a 4 cent charge for each check paid, 5 cents for each deposit, and 1 cent additional for each check in a deposit. It is possible, however, to offset all or most of these charges by maintaining sufficient balance to earn a like credit. The principle of this system has been adopted by banks widely with many variations.

### Defense Activity

BECAUSE OF INCREASED industrial activity in national defense in the north Buffalo section, two banks, the First National and the State Bank of Kenmore, reported a sharp rise in the number of payroll checks presented for cashing by non-depositors. With the increased expense entailed, the banks have imposed a service charge of 10 cents for cashing checks of \$50 or less and 15

cents for checks above this sum. Perhaps this is a good indication of the course many institutions will be forced to take in the near future as the national defense works gets fully underway.

### Useful Statement

THE FIRST NATIONAL BANK of Princeton, New Jersey, adopted a novel format to keep its January 1 Statement of Condition out of the discard after the first perusal. In fact, it was cleverly designed to encourage the recipient to keep it throughout the year. The 36-page booklet contains complete cal-

endars for 1941-1942, space for telephone numbers, and a day-to-day calendar appointment record. New Jersey banking holidays are noted in this space as they occur. A single line of type advertises the bank's various services at the bottom of each page. The center spread contains the statement with a list of officers and directors.

### Blotters

IT HAS been said that blotters, properly designed, are miniature billboards. Color, layout, illustration, copy all play an important part in attention getting effectiveness for this least ex-



View of the Transit Division

## CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO



Member Federal Deposit Insurance Corporation

How big a pack can he carry?



THE ASSOCIATED NEWSPAPERS; BY THOMAS

March 1941

pensive of advertising media. State-Planters Bank and Trust Company, Richmond, Virginia, uses small blotters in this manner with excellent results. Copy themes are tied directly to current advertising. Being cut to convenient pocket-checkbook size, they serve as regular reminders of the bank's weekly advertising themes and special service promotions.

### House Organ

"AS WE SEE IT"—monthly house

organ published by the Mercantile National Bank of Dallas drives home a single timely message with each issue. The theme is set by the monthly billboard copy sponsored by the bank on a full-showing basis on local boards. Page one contains a themed editorial signed by President Thornton. Center spread reproduces the current monthly billboard. Rear cover draws attention to one or another bank service apropos to the copy theme, or else carries statement of condition and other items.

## Each Can Say

"I WAS A CLERK"



"I WAS A LINEMAN"



"I WAS A DRAFTSMAN"

**T**HIRTY-SEVEN years ago, in 1904, the president of the American Telephone and Telegraph Company went to work as a clerk in one of the Bell System companies.

About that time, the 18 men who are now the presidents of the Bell telephone companies were starting their careers. For, like the head of the System, they have worked many years in the business—an average of 38 years each. Each of them can say: "I was a clerk," "I was a lineman," "I was a draftsman"—and so on.

The "know how" is here—for the everyday job of running the telephone business or to serve you in emergency. Up-from-the-ranks management is doubly important these days.

**BELL TELEPHONE SYSTEM**

*The Bell System is doing its part in the Country's program of National Defense*



### Consistency

FIRST NATIONAL BANK of Atlanta, Georgia, trains its current advertising campaign upon one objective—to tell the reading public about the numerous services offered by the bank and the many circumstances under which they prove valuable to the individual. All ad heads are set in this manner: The First National *offers you*: organization, responsibility, extensive facilities, broad contacts, personal service, low costs, etc. Copy explains each point with facts and figures and simple illustrations.

"LIFE IN THE ARMY"

See story on page 50

"Life in the Army"



ON THE AIR  
TONIGHT!

YOU MAY HEAR  
YOUR SON . . .

. . . BROTHER, NEPHEW, OR THE  
BOY FROM THE NEXT BLOCK  
Informal interviews with Milwaukee  
and Wisconsin boys in training at  
Camp Beauregard, Louisiana . . .  
EVERY TUESDAY AND THURSDAY.  
Tune in TONIGHT!

6:45 **WTMJ**  
P. M.

**FIRST WISCONSIN  
NATIONAL BANK**

### Rearrangement of Work Hours

AMONG THE methods being tried by smaller banks struggling with slow and peak periods in a 40-hour week is the plan of beginning the week officially at 4 o'clock on Thursday afternoon instead of on Monday morning. At Whitefish Bay (Wisc.) National Bank this idea was inaugurated a year ago and has proved to be all that was needed to regulate routine. The five members of the staff can now handle the flow of work without overtime expense, extra clerical help, or undue tension.

As in most small banks, reports O. K.

**BANKING**



JOHNSON, one of the bank's two executive officers, heavy periods invariably occur on Friday, Saturday, and Monday. When the work week began on Monday, it was impossible to know ahead just how much overtime would be required of each employee, or to have hours off during the same week in which overtime hours were worked, as required by the Wages and Hours Law.

Since the bank began its official week on Thursday, overtime hours worked by each clerk on Friday, Saturday, and Monday can be computed in time to give each employee an opportunity to have time off on Tuesday and Wednesday and to balance his work-hours in compliance with the law.

### Staff Trust Agreement

THE STAFF of the Victoria (Texas) Bank & Trust Company has an unusual organization. It is in the form of a trust agreement under which each employee deposits in the savings account a portion of his monthly salary, and also of the extra salaries paid at each year's end to all employees except certain of the major officials.

The bank is constituted depository and trustee for the funds and, with the cooperation of a committee of the staff members, invests the deposits. All profits benefit the employees participating in proportion to their deposits, and thus is created not only a savings account for each, but a profitable investment for spare funds.

This organization has been in operation for the past two years. It has an accumulation of approximately \$8,000.

Below, George L. Harrison, president of the New York Life Insurance Company, was made an honorary member of New York Chapter of the A.I.B. at its annual banquet



### Picture Map

THE NORTHERN TRUST COMPANY of Chicago has published an attractive pictorial map illustrating Abraham Lincoln's activities in Illinois. Called "Lincoln Memorial Trail", the map and its illustrations—done in color—shows Lincoln's supposed line of march in the Black Hawk War, his trek back to New Salem, his debates with Douglas, and his circuit travels. The time period covered is the years between Lincoln's birth and his nomination for the Presidency. The map is based on material from the Chicago Public Library and the Chicago Historical Society.

### Bank Film

C. E. BROCKWAY, president, First National Bank, Sharon, Pennsylvania, reports that his color film "\$3,750,000 Checks Cannot Be Wrong," has been sent to several interested out-of-town banks.

The film opens with a scene introducing a typical situation—a woman looking for a lost receipt. It then enacts a charge account purchase and illustrates a check's function and its travels. The film closes with an animated presentation of the essential items of a check.

MR. BROCKWAY's chief interest in this film is that of amateur photographer.



### Help Them

### Build Plus-Values Into Their Home—and

at the same time insure the maximum of soundness in your, and their, home investment. Weyerhaeuser offers your clients a *free 4-Square Home Building Service*, which is a *valuable guide* in getting more house for the money.

26 nationally known architects in collaboration with Weyerhaeuser engineers have designed 50 4-Square Homes to illustrate these four essentials—good design, efficient plans, right materials and sound construction.

Your clients are invited to check their home building thinking against this 4-Square Home Building Service, which is available at local 4-Square Lumber Dealers.

May we send you the name of your 4-Square dealer, and a complimentary copy of "The High Cost of Cheap Construction," a book of factual information that explains the "Do's" and "Don't's" of home building.

**WEYERHAEUSER SALES COMPANY**  
FIRST NATIONAL BANK BLDG. • SAINT PAUL, MINNESOTA

# Toward Monetary Stability

THE importance of immediate study of the world monetary situation was brought out in a report by the Foreign Commerce Committee of the Chamber of Commerce of the United States to the Chamber's board of directors.

The Committee emphasized its conviction that leadership in this field must be assumed by the United States. It called attention to the investigation of monetary and banking policy by the Senate Committee on Banking and

Currency, which contemplates a comprehensive inquiry also into international monetary experience, needs and opportunities.

"The Foreign Commerce Committee of the Chamber," said the report, "lives close to the practical effects of sudden changes and artificial influences in the international monetary regime. We have had occasion to appreciate the facilities and impetus given to international trade by stable currency condi-

tions. We have felt the effects of depreciating currency competition. We have been confronted by the contraction of markets resulting from the extension of exchange controls and bilateral trade-balancing agreements in other countries; not alone to the prejudice of interests of the United States, but to the injury of the world's productive forces and widespread lowering of purchasing power and living standards. We have observed the harmful effects of unstable, floating, artificial currency movements upon capital investments in foreign countries, the drying up of new capital available for financing, and the freezing of payments due on trade, service and investment accounts.

"It is our belief, particularly in view of the extraordinary position of the United States in relation to the world's gold stock and the close relationship of this country to the 20 other American republics that remain at peace, that it is desirable now to begin dealing with the international monetary challenge in a broad way. We are conscious of the bearing of the currency policies of a country upon its entire domestic credit and price structure. In urging early monetary action in the international field, we do so with the hope that it will strengthen the whole position and influence of the United States. . . .

"We attach importance to the hearings that may be held by the Senate Committee and to the published reports and the conclusions of the Committee which may be expected to result from the study. . . .

James H. Edwards is the newly appointed chief of the International Division, Bureau of Foreign and Domestic Commerce



## CENTRAL HANOVER BANK AND TRUST COMPANY NEW YORK



Statement of Condition at Close of Business  
December 31, 1940

### ASSETS

Cash and Due from Banks . . . . .	\$732,639,483.02
U. S. Government Securities . . . . .	390,224,267.89
State and Municipal Securities . . . . .	35,572,749.19
Other Securities . . . . .	24,260,430.10
Stock in Federal Reserve Bank . . . . .	2,430,000.00
Loans and Bills Purchased . . . . .	184,878,602.09
Real Estate Mortgages . . . . .	6,295,095.68
Banking Houses . . . . .	14,990,010.00
Other Real Estate . . . . .	1,610,595.88
Interest Accrued . . . . .	1,900,589.12
Customers' Liability Account of Acceptances . . . . .	3,256,842.79
Total	\$1,398,058,665.76

### LIABILITIES

Capital . . . . .	\$21,000,000.00
Surplus . . . . .	60,000,000.00
Undivided Profits . . . . .	15,103,689.12
Reserve for Taxes, Interest Accrued, etc. . . . .	3,171,013.77
Dividend Payable January 2, 1941 . . . . .	1,050,000.00
Acceptances . . . . .	3,426,367.59
Deposits . . . . .	1,294,307,595.28
Total	\$1,398,058,665.76

There are pledged to secure public monies and to qualify for fiduciary powers  
U. S. Government Securities . . . . . \$5,050,730.07

Member Federal Deposit Insurance Corporation

# An Outline of Fiscal Policy

**B**ANKERS and others interested in Government bonds may be desirous of sending for a copy of Budget Director Harold D. Smith's speech, "National Defense Spending: 1940 and Beyond." While brief excerpts cannot adequately convey Director Smith's ideas, here are a few phrases from the address, which was delivered in Alabama.

"The Federal Budget, for the fiscal year 1942 . . . 62 per cent . . . for national defense. The total defense program which was initiated in June 1940 amounts to 28.5 billion dollars.

"These are not the total costs. . . .

"In the year 1940, defense expenditures were about 2.5 per cent of the national income. If defense expenditures and defense export should reach 15 billion dollars in the fiscal year 1942 and if the national income will have risen to 90 billion dollars, then the total defense effort will absorb 16.7 per cent of the national income of that year. This compares with war expenditures of 25 per cent of the national income in the year 1918. . . .

"ALMOST two billion dollars, or 7 per cent of the present program, are being spent for expansion of industrial defense plants. This sum represents only the amounts which appear in the Budget, and not the loans granted by the R.F.C. and its various subsidiary government finance corporations. . . .

"Out of the total 28½ billion dollars only 1¾ billion dollars were actually spent up to December 31, 1940. . . .

"Appropriations outrun production and leap into the future. . . .

"In 1917, the economists were of one mind that war should be financed on a strict pay-as-you-go basis . . . no such unanimity exists today . . . whether borrowing or taxation is the best method of defense financing. Prevailing opinion is that both methods must be applied. . . .

"A long-term strengthening of the fiscal system is no less important than a quick increase in tax yields and . . . financing a part of the defense program by borrowing is not unsound so long as an increase in . . . revenues is assured by improvement in the tax system.

"When full capacity is being approached, resort to extraordinary tax measures may become necessary in order to prevent inflationary developments. . . .

"We must get accustomed to the fact that public budgets are a category . . . comparable neither to the family budgets nor to corporate accounts . . .

"Under present circumstances . . . a policy of borrowing has its merits because the creation of new purchasing power stimulates a high level of production for civilian consumption on top of defense production, as long as unused resources are available. . . .

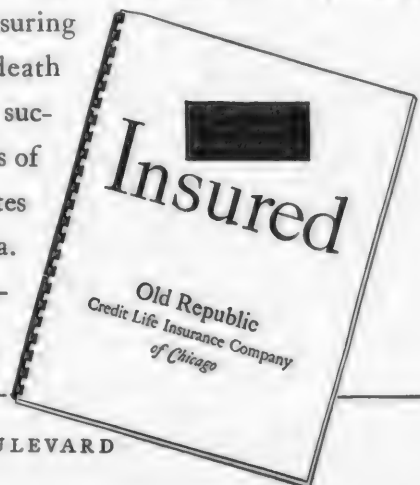
"It is said that the amount of Government securities in circulation is so large that the market for the placement of future issues is limited. . . .

"It . . . appears that Federal issues will dominate the supply of securities. . . . The demand for investment opportunities . . . will increase further, because . . . individual and business savings will increase more than proportionately to the rise in incomes. . . ."

## Old Republic Credit Life Insurance Company

*The pioneer in  
adapting credit life  
insurance to the needs  
of commercial banks  
with personal loan  
departments.*

*Bank officers* are invited to send for a copy of our booklet-portfolio, which explains Old Republic's simple, practical plan of insuring personal loans against the death of borrowers. The plan is in successful operation in hundreds of commercial banks in 32 states from New York to California. It costs a bank nothing to install and operate this plan.



309 WEST JACKSON BOULEVARD  
CHICAGO, ILLINOIS

## The Nickel's 75th Anniversary



# Efficiency... plus "the human touch"

Perhaps the combination may seem unusual, but in a number of ways Bank of America is an unusual institution.

If you require efficiency in the handling of your routine California transactions Bank of America provides it through 495 branches in 307 communities of this State.

If you want what we believe is sometimes even more important—"the human touch"—in your correspondent relationship, we have friends who will tell you that Bank of America has personalized its services in a manner which adds an important extra value for banks and bankers everywhere.

## Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION  
COMPLETE BANKING FACILITIES IN EACH OF 495 BRANCHES  
(Commercial...Savings...Trust...Safe Deposit)

MEMBER...FEDERAL RESERVE SYSTEM...  
FEDERAL DEPOSIT INSURANCE CORPORATION

Main offices in two reserve cities of California  
San Francisco...Los Angeles



Blue and gold BANK of AMERICA TRAVELERS CHEQUES are available through authorized banks and agencies everywhere. Carry them when you travel.

BANKS and their employees doubtless will take an interest in the celebration of National Coin Week, March 23 to 29, in commemoration of the 75th anniversary of the coinage of our 5-cent piece, first issued in Philadelphia in March 1866. National Coin Week also marks the 50th anniversary of its sponsor, the American Numismatic Association.

The birth of the nickel was the aftermath of a long and bitter fight in Congress over the use of nickel for coinage purposes. The debate of our times over the place of silver in our monetary system is but an echo of the past, with this difference—in Civil War days it was the nickel rather than the silver "interests" that finally succeeded in having nickel adopted for subsidiary coinage purposes.

The first American coin containing a nickel alloy was a 1-cent piece authorized in 1857. At that time we had no domestic nickel and it had to be imported from England. The Civil War shut off imports of the metal and because of this restriction, together with coinage difficulties, the Director of the Mint urged discontinuance of this coin.

About this time one Joseph Wharton, who had strong political influence, acquired a nickel mine at Lancaster Gap, Pennsylvania, and a refinery at Camden, New Jersey, for the purpose of selling the output to the Government.

Despite political jockeying by Wharton's friends in Congress, the nickel 1-cent piece was abolished in 1864. However, the following year President Lincoln signed a bill providing for the coinage of a 3-cent coin with an authorized alloy composition of 75 per cent copper and 25 per cent nickel.

With the exception of Switzerland, which in 1850 adopted coins made of an alloy that included nickel, the United States was the first modern country to use nickel as a material for coinage, although the Chinese had been making a copper-nickel alloy, sometimes called "white copper", for more than 2,000 years. In the British Museum are "white copper" coins made in Bactria 200 years before Christ. Since our development of the 75-25 copper-nickel alloy, it has been adopted by nations all over the world for coinage purposes.

The American Numismatic Association, founded in 1891 and devoted entirely to the science of numismatics, has a membership of 3,500 collectors in this and foreign countries.



# A Slum Clearance Proposal

A MODEL bill giving to private redevelopment corporations the power of eminent domain as one constructive solution to the problem of slums and blighted areas has been drafted by Morton Bodfish, executive vice-president, United States Savings and Loan League, and Horace Russell.

The bill, designed for enactment by state legislatures, is accompanied by a memorandum explaining its purpose of accomplishing slum clearance by private enterprise.

To be able to function in this field, say the sponsors of the proposed legislation, private enterprise must have: the power of eminent domain for the acquisition of at least a small proportion of an area it cannot otherwise acquire; stabilization of tax assessment for at least 10 years; and "a reasonably simple and economical method to accomplish the result desired, and freedom from unnecessary and perpetual regulation amounting to the socialization of the real estate."

It is in the public interest, says the memorandum, for the state to grant the power of eminent domain to private corporations "exactly as it granted such power to private railroad corporations . . . in this case for the public necessity of protecting health and morals, preventing crime, protecting against fire hazards and improving living conditions of the people."

The state can also grant tax stabilization for a limited period; "no tax exemption is suggested."

With regard to providing against "perpetual regulation", Mr. Bodfish and Mr. Russell point out: "The power of the state in this connection rests upon public necessity, and health, morals, fire protection and the prevention of crime are certainly matters of public necessity and the power of the state does not rest upon unnecessary and perpetual regulation or upon prices or rents to be charged. Private enterprise should reasonably be required "to make a showing of public necessity and of appropriate redevelopment, and private capital perhaps can meet these requirements if it is thereafter free to act."

"An examination of the New York and Illinois bills considered two years ago providing for the eradication of slum and blight areas and the rehabilitation and rebuilding thereof, and the Proposed Neighborhood Redevelopment Corporation Law presently under

consideration in Chicago indicates that these drafts are impracticable, first, because reasonable men will not invest money on the basis contemplated and, second, because the extreme regulation contemplated would make the operation of properties if developed thereunder impracticable. It seems wise in a study of this question to develop a draft of a law which will (1) clear slum and blight areas and redevelop in an appropriate

manner, (2) provide a constitutional means to accomplish these objectives, and (3) be sufficiently practical in its approach to the problem to induce private enterprise to undertake the task.

"The legal power of the state to authorize the exercise of the power of eminent domain rests upon the public necessity of relieving from conditions of slum and blight injurious to health, morals, creating fire hazards . . ."



CHICAGO LANDMARK  
—the John G. Shedd Aquarium. In the field of finance, too, Chicago has her landmarks. Outstanding among them is The Northern Trust Company, founded in 1889.

## REINFORCING THE CUSTOMER SERVICE OF OUT-OF-TOWN BANKS

Successful banking, to a great extent, depends on the assemblage of important facts and the carefully weighed application of these facts. A correspondent who forms a connection with The Northern Trust Company broadens his opportunities for gathering essential facts necessary in meeting banking and trust problems. From

routine check collections to seasoned investment information, his problems meet with friendly, efficient cooperation. Thus, the out-of-town banker is assisted in achieving that completeness of service which his customers always value so highly. Your inquiry concerning a connection with this institution is solicited.

## THE NORTHERN TRUST COMPANY

50 SOUTH LA SALLE STREET, CHICAGO

Member Federal Deposit Insurance Corporation

# Heard Along MAIN STREET

This material is compiled for  
BANKING by Albert Journey

**R.** L. DOMINICK, vice-president, Traders Gate City National Bank of Kansas City, and also vice-president of the A.B.A. for Missouri, has turned his hobby into a profitable business.

Mr. DOMINICK owns a 35-acre farm on the edge of the city. He had a preference for Guernsey milk so he purchased a Guernsey cow and raised five other cows. People driving by noticed the cows and he had several offers for them. It appeared that among local dairy men there was a definite market for Guernseys and Mr. DOMINICK felt the demand should be met. So this banker, who knows a good cow as well as a good loan, started to buy the cattle up North and bring them by truck to his place. He sold the first truckload within a week at a good profit. Subsequently he bought 45 head and sold them in 40 days.

Thus from the hobby of producing his own milk, at about 50 cents a glass, there has grown a profitable sideline.

★

GEORGE F. RAND, president of the Marine Midland Corporation, has announced formation of the Marine Midland Quarter Century Club which will include all officers and employees in the 20 Marine Midland banks who have served for 25 years or more. These men and women will be formally inducted into the Club and will be presented with an engraved plate of sterling silver. They will be entitled to three weeks' vacation annually.

★

WALTER LEDYARD TODD, president of The Todd Company, and for many years a trustee of the Rochester (New York) Savings Bank and the Security Trust Company of Rochester, has been a member of his city's Community Chest for 20 years and has taken an active part in its annual campaign for funds. He has done similar work for the City Manager League and the Chamber of Commerce of which he is treasurer. He is a director of the Bureau of Municipal Research and of the Navy League of the U. S. He was in the thick of the fight against the Supreme Court and



Frank B. Trowbridge, left, a teller of the Mississippi Valley Trust Company, St. Louis, recently received a gold watch from the bank in recognition of 51 years of service. Sidney Maestre, center, president, made the presentation. At the right is Raymond H. Rulkoetter, president of the Valley Trust Club, which sponsored the dinner at which Mr. Trowbridge was honored

Reorganization Bills, was chairman of the Republican Finance Committee for Hoover, and in 1940 was treasurer of the Citizens Republican Committee.

In none of these activities has Mr. TODD's interest been political. His part has been of a fund-raising nature and in these and in other movements of national import he has worked as a citizen toward the accomplishments of conditions and results in which he believes.

On the lighter side of life Mr. TODD's hobbies are fly-fishing and sailing, in both of which he is expert.

★

WHEN J. C. NICHOLS was first elected to the board of the Commerce Trust Company, Kansas City, Missouri, some 32 years ago he was the youngest director. Today, still in the prime of life, he is the oldest member in point of service. Through the years he has proved to be one of the institution's most valuable assets.

Mr. NICHOLS is president of the J. C. Nichols Company. He and his associates, in their development of the Country Club District, have had a profound influence on urban housing, not only in Kansas City, but throughout the United States. The National Real Estate Journal devoted one issue to Mr. NICHOLS and his work, the only occasion on which one organization has been the sole feature.

The Country Club District, developed over a 32-year span, has grown to 4,000 acres, includes 6,000 homes, 160 apartment buildings, a central shopping area, and seven neighborhood groups of stores. It has a population of over 35,000. It is distinguished for high standards in beauty, scientific land development and methods of creating and protecting property values.

Mr. NICHOLS, a native of Kansas, is a graduate of the state university, and of Harvard. He is America's foremost subdivider and realtor-builder.

At present time he is a "dollar a year man" in Washington where he is serving on the Advisory Commission to the Council of National Defense.

★

N. BAXTER MADDOX, recently elected vice-president and director of the First National Bank of Atlanta, comes of a family prominent in Atlanta banking circles for three generations. His father, ROBERT F. MADDOX, a past President of the American Bankers Association, was formerly president of the Atlanta National Bank, predecessor of the First National, and later chairman of the board of the First National. His grandfather, ROBERT F. MADDOX, was one of the founders of the Maddox-Rucker Banking Company and the American National Bank which was merged with the Atlanta National Bank in 1916.

BANKING

N. BAXTER MADDOX has been connected with the Atlanta National Bank, the Atlanta & Lowry National Bank, the Trust Company of Georgia, and the First National Bank for 10 years. He resigned as assistant trust officer in 1933 to accept the general agency for Georgia of the Connecticut Mutual Life Insurance Company. In his new position Mr. MADDOX will head the First National's trust department.

★

WILLIAM J. CASEY is a name which, in Baltimore, Maryland, is synonymous with economy and efficiency in government.

Mr. CASEY, who is senior vice-president of the Maryland Trust Company, has never held office in the city government, and has never desired an office but when any question of public policy arises which will affect Baltimore taxes the first question business men of the city ask is:

"What does Casey think about it?"

Mr. CASEY has become an authority on matters pertaining to efficient, economical government and to taxation during a period of about 20 years. His interest in these problems began when, as a banker, he had the management of an office building "wished" on him. Analyzing income and outgo he was quickly impressed by the large proportion of taxes to other expenses.



Mr. Casey

But his interest took a dynamic rather than an academic turn. He wanted to do something about it.

Space does not permit details of how his interest grew, how he interested other bankers and business men, and how efficiency and economy in government became the major issue in a mayoralty campaign in which victory

went to the candidate who based his platform on these issues.

Later a permanent body—the Commission on Governmental Efficiency and Economy was organized. Mr. CASEY has been its chairman most of the time, although he hopes that sometime in the near future someone else will "take over".

It would be impossible even to guess the amount of money which has been saved by Baltimore taxpayers through the watchful operations of this commission which has been responsible for many effective and business-like inno-

ventions at the city hall. Undoubtedly, however, the aggregate has been stupendous, and Baltimore industrial, banking and business leaders who can visualize the extent of those savings are glad that Mr. CASEY has only one real hobby—efficiency and economy in government.

★

"HEARD ALONG MAIN STREET" has discovered another banker who is also a keeper of bees. ANDREW FLAG ROBSON, president of the Baldwins Bank of Penn Yan, New York, is one of the two presidents this institution has had since its

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founding in 1869. At his home he has several large hives of bees and distributes most of the honey to his friends.

He is also interested in numismatics and has a noteworthy collection. Prior to joining the bank in 1896 Mr. ROBSON had operated a general store in Italy, New York. He also served as the town's postmaster and in the state legislature.

★

WORD COMES to this department from Ripley, West Virginia, to the effect that T. CLAYTON PARSONS, cashier of the Bank of Ripley, has been elected a fourth time as a delegate of the West

Virginia Conference of the Church of the United Brethren in Christ, to the Thirty-Third Quadrennial General Conference of that denomination, which will convene in South Bend, Indiana, May 13, 1941. Mr. PARSONS is now serving his 14th year as the state treasurer of the West Virginia Conference of that church.

★

THOMAS W. LEGGETT, of Piggott, Arkansas, was recently appointed State Bank Commissioner. Mr. LEGGETT brings to his new position a banking experience covering 27 years.

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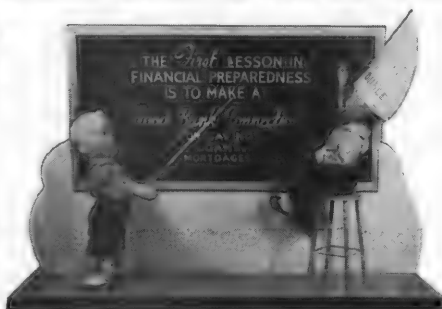
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The new commissioner has been active in civic affairs. He was an organizer of the Clay County Fair; is chairman of the Piggott School Board; Fourth District Commander of the Arkansas Department, American Legion; chairman of the Northeast Arkansas Clearing House Association.

In addition to his other activities he operates a 600-acre farm.

★

GEORGE O. VASS, vice-president and cashier of The Riggs National Bank, Washington, D. C., was traveling with his son, Richard, several years ago by automobile in the West. Arriving in Spearfish, South Dakota, they stopped for gas and noticed an elderly gent with a long beard and a very unusual costume sauntering across the street. Mr. VASS was informed that this was Potato Creek Johnnie, a famous gold prospector, and the picture accompanying this item shows Richard and Johnnie together.



Johnnie and Richard

BANKING published a picture of Potato Creek Johnnie some time ago.

Richard was 13 years old when the above picture was taken. He is now 16. He had never had a pair of skates on in his life at the age of 13 but is now able to claim professional standing as a figure skater and all-round performer.

★

EARLY IN FEBRUARY the Associated Press carried an interesting story about JOSEPH W. RICKERT of Waterloo, Illinois, who, the correspondent said, is "called the nation's oldest active lawyer, banker, insurance executive and

BANKING



farmer." He is anticipating his 101st birthday next July 9.

Mr. RICKERT is president of the Commercial State Bank of Waterloo; but there's no news in that because he has been re-elected to the job only 57 times.

There was only one thing bothering Mr. RICKERT when the reporter talked with him:

"The family tries to hold me down. They try to take too danged good care of me," he chuckled.

But, added the story, he "keeps right on spending an average of four hours a day at work in his office."

"He spends much of his time now at his pet hobby—reading. He subscribes to four daily newspapers and half a dozen popular magazines. His other hobby is fishing. He wears glasses only while reading and likes to top off each meal with a cigar."

In its issue of August 1940 *BANKING* published pictures of the birthday party Mr. Rickert's townspeople gave him in honor of his 100th anniversary.

★

JAMES MCKEE, JR., of the First National Bank, Richfield Springs, N. Y., was awarded a \$50 prize by the Grand Council of Beta Alpha Psi—national accounting fraternity—for the best essay on accounting written by a senior in one of 22 competing member colleges and universities throughout the United States in 1940.

Mr. McKEE was a student at Syracuse University at the time the thesis was written. He is the third generation in the McKEE family to be identified with the First National of Richfield. His grandfather, the late MYRON A. McKEE, founded the bank in 1882; his father, JAMES McKEE, is now cashier of the bank.

James McKee, Jr.



March 1941

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Any or all of these booklets will be sent you free of charge or obligation. Each one has been carefully selected for its special value to bankers and business executives. Simply mail your request, on bank or company letterhead, to Dept. BB-9, American Bankers Association, 22 East 40th Street, New York, N. Y.

## A STATE STATES ITS CASE

How much is a new factory worth to a community? How may taxes be reduced by state-directed promotion? How can a state's research facilities aid small businesses? These, and other basic questions are answered in a revealing 40-page booklet, issued by a state that has a real story to tell and tells it with an eye towards new income, new profits and lower taxes. There are good ideas here that may provide a solution to some of your own problems.

## UNITIZED OFFICE OPERATION

This 8-page illustrated booklet presents a method for saving time and increasing efficiency by combining scientifically designed office equipment with special high-efficiency lighting. This "unitized" office operation should enable staff members to produce more work in less time, with fewer errors and less fatigue.

## THIS WILL FLOOR YOU

Believe it or not, but a certain rubber tile flooring was trampled on every day for 16 years in the building of a large, mid-western company; when the company moved, the "old" flooring was still virtually new and other companies bought it for continued usage. If you plan to modernize your banking quarters or owned real estate (or if some of your customers are currently modernization-minded) this 4-page folder with color illustrations may give you the answer to the question of economical flooring.

## LIABILITY REBOUNDS

Owners of a property under construction, as well as contractors, are sometimes subject to liability without active negligence in case of accident. This 12-page booklet summarizes court decisions of ten unusual accidents where owners or contractors were liable for

damages, the cost of which could have been covered by proper insurance. It's worth looking through because, as the booklet says, "It is hard to get over, around or under a court decision."

## Booklets Still at Your Service

**REDUCING LOAN RISKS . . .** Many banks are reducing commercial loan risks through credit insurance which protects the accounts receivable of its borrowers against hazard. This informative 20-page booklet tells how such coverage enables manufacturers and wholesalers to gain protection of annual profits, protection of working capital against bad-debt losses, stabilization of credit procedure, and protection of capital turnover against frozen accounts.

**MAKE IT EASY TO ENTER . . .** If you plan to modernize either your bank or commercial properties in which you are interested, you can eliminate the usual entrance-way struggle with weight and wind with the new "magic" doors that open and close automatically, relieve crowding, reduce heating and air conditioning costs, and make friends of all who use them. A 6-page folder in two colors that illustrates typical installations.

**VALUES AND FARM MACHINES . . .** In financing the purchase of modern farm machinery, impartial counsel is frequently required to help your farmer-customers buy implements best suited to their individual needs. This 24-page booklet, profusely illustrated in natural colors, describes the variety of uses of many types of machines; it will help you measure their value in terms of your customers' requirements.

**HOMES—AND POCKETBOOKS . . .** A home having topnotch equipment (heating, lighting, refrigeration, washers, ironers, etc.) is more livable and therefore has both greater sales appeal and resale value—all of which adds to

the safety of the mortgage on it. This 32-page booklet, with color illustrations and brass-tack figures, is good news to real estate departments because it proves that first-class equipment actually costs less to amortize because it reduces operating costs for the buyer.

**SAVINGS THAT BUILD PROFITS . . .** A factual 10-page booklet tells how ten important banking operations—such as increasing loan volume, analyzing depositors' accounts, providing officers with daily summaries, and keeping mailing lists accurate—can be speeded by modern duplicating equipment that's easy and economical to operate.

**NEW PROPERTIES FOR OLD . . .** Banks seeking increased income from managed properties, or ideas to help sell owned commercial buildings, or prospects for sound modernization loans, will benefit from this informative 32-page booklet; it's chock-full of illustrated examples and facts that show how modern store fronts turn old properties into attractive and profitable places of business.

**BUY? OR SELL? . . .** An impartial financial service offers a 12-page analysis and forecast of the bond market with definite buying and selling advice.

**HOW ARE YOU FEELING? . . .** Do you realize that you're an engine? Yes, you! And that like an engine, you can run too hot, too cold, or not at all? Here's an eye-opening analogy of the human body to an engine that will blow out a lot of old ideas—and blow in some new ones—about the temperature's effect on you and your associates.

**SAVE TIME—ELIMINATE ERRORS . . .** The latest equipment for paying, sorting, counting, storing, and packaging coins is described in a 10-page folder which also gives details on a new model that zips change direct to the customer and cannot mispay.

## It's Service That Gets Business

**A**P. GIANNINI, chairman of the board and founder of Bank of America National Trust and Savings Association, recently sent to the bank's staff a special message restating the institution's ideals and outlining the general principles of conduct which, he said, had been responsible for its growth.

Mr. Giannini's message was published in *The Bankamerican*, official organ of the 9,000 co-workers of the bank.

"Success," he said, "does not come from currying favor or back-slapping. It is *service* that gets business. We filled a great need when we provided bank service for the fellow who had been overlooked. That brand of service brought in the bigger fellows, too, and we take pride in serving them equally well. But in serving the big fellow there is sometimes the temptation to forget the little fellow. We must never do that. The little fellow, because of the personal nature of his association with us, is appreciative and loyal, more sensitive to human values. He will stay with you when you need him. He will play the game straight and clean with you if you play it that way with him.

"Inside your own organization, play no favorites. Never let 'chumminess' reach the point where it will influence your judgment. Avoid cliques, factions, office politics; we must keep such things out, for they are destructive. We must be one for all and all for one—the bank.

"Keep yourselves where the public can see you and talk to you. Live up to your own words. Keep yourselves so clean that nothing you do will ever arise to thwart you in doing what duty dictates.

"Never use outside information to feather your own nest.

"Never engage in outside financial interests which might get you into trouble

or occupy time and attention that should be devoted to the affairs of the bank. If you have capital of your own you naturally may invest, but you would be well advised to avoid enterprises which take your time, or involve speculative risks which cause worry and apprehension and so prevent you from concentrating on your job. Keep your business affairs open and aboveboard so you may work solely for the benefit of the bank, its customers and its stockholders. You will be happier and more successful.

"We, as a bank, never could have survived the assaults of the past two years or more if we had not been clean and sound, with no guilty secrets. I have never locked my own desk or a single drawer in it. I have nothing to hide, nor has the bank, except its confidential relationships with its customers. The customers' secrets are their own; the bank has none.


"You all know how I feel about this bank. It has been my life, my career and my pride; and my pride has been less in the material stature to which it has grown . . . than in the great service it has rendered every day. . . .

"Now the bank is virtually yours. . . . I do not have to tell you that it is no small thing to me that this trust has been surrendered to you. It is the best evidence I can give that I have faith in you and trust you to preserve, always, our original ideals. . . ."

Thomas W. Lamont, left, of J. P. Morgan & Co., Inc., and John Lowry, president, New York Merchants Association, recently spoke on national defense at an association luncheon




March 1941



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## Uniform Trust Receipts Act

**A**s an aid to national defense financing, the Committee on State Legislation of the American Bankers Association is asking state legislative councils to urge the 38 legislatures that have not done so to enact the committee-endorsed Uniform Trust Receipts Act. This measure has been adopted by California, Connecticut, Illinois, Indiana, Massachusetts, New Hampshire, New Jersey, New York, Oregon and Tennessee.

Committee Chairman Carl K. Withers, president of the Lincoln National Bank of Newark, New Jersey, has sent a letter to the councils pointing out that the act "has assumed a new and significant importance in the program of the A.B.A. to encourage the widest possible banker cooperation in the present 'all out' efforts toward the national defense.

"Already in successful operation in 10 states, this comprehensive legislation," the letter continued, "can be made to serve a very useful purpose in the intermediate financing not only of defense contracts, but the ordinary needs of business. It has been my experience that not many bankers are familiar with this legislation, feeling that perhaps it is of greater interest in the handling of securities and to trust companies than to commercial banking, when, as a matter of fact, it provides a wholly equitable, simplified and safe security for many types of commercial credits. It should be on the statute books of every state and you are urged to give immediate consideration to its passage, both as a measure important to the national defense, and for the permanent use and benefit of the banks of your state."

Enclosed with the letter was a copy of the act and a reprint of a paper prepared by the attorney for a bank which has had considerable experience in the use of trust receipts.

"This legislation," Mr. Withers declares, "should be on the *must* program of every state legislature!"

The Uniform Trust Receipt Act provides that a lender may obtain a security interest, good as against other creditors. It supplies a much-needed security device whereby a borrower, with the consent of the lender, may retain possession of the goods or documents covered by the trust receipt for sale to the public.

## A Currency Dialogue

*Washington, D. C.*

**I**N the hearings on the debt-limit bill Congressman Patman proposed "that the Federal Reserve System would purchase non-interest-bearing Government securities instead of interest-bearing Government securities sufficient for the purpose of financing this preparedness program."

A little later the following questions and answers were exchanged:—

**Mr. DISNEY.** Your suggestion would confer the circulation privilege on the baby bonds?

**Mr. PATMAN.** Not the circulation privilege exactly. Of course, it would be tantamount to that, I suspect. This bill specifically prohibits that.

**Mr. DISNEY.** Do you think that would be a good thing for them to have substantially the circulation privilege?

**Mr. PATMAN.** Yes; it would.

**Mr. DISNEY.** To use it as money?

**Mr. PATMAN.** Yes. . . .



## FDIC Report

Washington, D. C.

**I**N a report to insured banks the FDIC advises them to take advantage of the revival of real estate values and work to dispose of their non-banking real estate and similar non-bank assets.

"Improved assets positions and augmented capital accounts should be the goals of bank management during periods of improved business activity," says the report.

During 1940 the FDIC's surplus increased by about \$43,000,000 to almost \$496,000,000. Of the Corporation's \$275,000,000 total income since its creation, over \$211,000,000 was derived from assessments paid by insured banks.

The FDIC views the banking situation calmly. Its "examinations of banks and its review of examinations made by the Comptroller of the Currency and the Federal Reserve banks indicate no serious concentrations of hazards that under normal circumstances will involve heavy disbursements for the protection of depositors."

"Although most of the losses that accumulated and remained unrecognized over a period of one or more decades have now been eliminated," continues the report, "there are still banks with capital so depleted or inadequate and with such high proportions of inferior assets that they would not be able to withstand a downward trend in values. These banks will continue to have close attention."

One of the points emphasized by Chairman Leo T. Crowley in his report was that disbursements to depositors of insolvent or hazardous insured banks has amounted to \$228,000,000 since January 1, 1934. About 80 per cent of this is estimated as recoverable.

Full protection of all but 1,686 of 1,133,379 depositors was extended in the 355 insured banks closed or merged with FDIC financial aid through 1940. Total deposits of these banks amounted to \$438,625,000, of which 98 per cent were promptly made available.

The year 1940 saw a reduction of 93 in the number of insured banks—143 being eliminated and 50 admitted.

## Credit Supply and Demand

(CONTINUED FROM PAGE 23)

portant effects of a rising volume of business should be a more rapid turnover of commercial bank deposits, and a better distribution, therefore, of the deposits that exist. Under these circumstances, better business might, perhaps, before very long, permit the liquidation of loans that already exist, faster than better business would cause the creation of new borrowers and of new loans. All in all, it would seem that we could draw the following conclusion from this discussion:

Commercial loans may go up somewhat under the stimulation of better business; they may go down somewhat even though business improves. But that commercial loans, under present circumstances, should rise or fall with business activity as they used to rise or fall with business activity, seems no longer to be a tenable conclusion. Especially would it appear unwise for banks or bankers to look back to the 20's and to expect what would then have been considered a reasonable volume of lending operations. More important still, perhaps, might be the thought that the outlook for loans be measured in terms of the movements of the supply, the demand and the supply demand relationship of cash in the case of the public, as discussed above.

March 1941

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## The Flow of Work

E. S. WOOLLEY

Mr. WOOLLEY, a bank analyst, writes regularly on management problems for **BANKING**.

A GREAT deal of time can be saved in the handling of work if it flows in as straight a line as possible. This sometimes means a rearrangement of desks and work locations.

About the best way that this can be accomplished is through the establishment of fixed schedules of duties and responsibilities. In the practical application of this principle it is first necessary to ascertain how the work is flowing at present. This can be done by having each employee of the bank prepare a list of his particular duties. This list should be divided between "daily" and "periodic" and also between "principal" and "secondary."

By passing these lists through the hands of one person for analysis, both duplications and unsystematic flow of work become readily apparent. It is then just a matter of eliminating the duplications and rearranging the flow of work. New lists showing the reallocation of duties and responsibilities should then be prepared by the one in charge.

ANY person can do better work when he thoroughly understands all angles of it. Actually this is one of the basic reasons for inefficient operating methods in banks. Changes and suggestions for improvements have been discouraged by the executive heads. They insist on things being done merely because "they have always been done that way," which, to quote ex-President Orval Adams of the American Bankers Association, is "a substitute for thinking." This has resulted in many bank employees working as automatons, with but a vague idea of what it is all about. Under such conditions, constructive improvements will necessarily continue to be slow.

A complement to the definite establishment of duties is the setting up of work standards throughout the bank. However, such work standards, to be of any practical value, must be individual to each bank. It is impossible to give a set of standards that could be adopted by every bank, or, for that matter, every department of a single bank.

A simple example will illustrate this. Because of the fact that it takes about six times as long to locate an account, insert the sheet into the machine and pick up the old balance as it does to post an item in the individual books, it naturally follows that a bookkeeper whose ledger consists of a few very active accounts can post more items per day than one whose ledger consists of a large number of accounts with a few items each.

Therefore, count of postings does not provide the sole standard in the bookkeeping department. The kind and class of accounts also have a bearing and must be considered when arranging the ledgers.

Nevertheless, while standards will vary for each bank and each department within the bank, very definite standards can be set. By a constant comparison with them, costs can be controlled and profitable operations assured.

But these things are not going to be accomplished in any bank until active management takes an interest in them. Too frequently management apparently feels that its duties begin and end with the control of loans and investments and leaves to others the problems of operating routine. While it is true that loans and investments are a very important function, and for the sake of argument could be conceded to be the most important function, nevertheless the streamlining of operating routine is rapidly catching up with it.

# The Priorities System

Washington, D. C.

**A**LTHOUGH priorities have been in use practically since the creation of the NDAC, and have continued to be employed under the Office of Production Management, this system is still not completely jelled.

Under the setup the ultimate legal responsibility for priorities rests with the OPM, but in practice there is a dual system, which divides priority activities between the OPM and the Army and Navy Munitions Board.

The Army and Navy Munitions Board has the OPM's authorization to handle: (a) priority ratings for all articles on the Board's critical list, and (b) to issue ratings not only to direct contractors, but to sub-contractors.

For all articles not on the critical list, including particularly raw materials and items of civilian consumption, and wherever sub-sub-contractors are concerned, the priorities authority is exercised directly by the OPM, as far down the line as may be necessary.

**T**HE critical list referred to is a confidential list of the Munitions Board, and should not be confused with the list of strategic, critical and essential raw materials involved in the stockpile program. Its contents change from time to time, as the Munitions Board and OPM deem necessary.

Whenever the Munitions Board allots a contract, it gives the contractor a certificate of the priority rating of the product concerned.

Priority ratings issued by the Army and Navy Munitions Board are mandatory. Priorities for items not on the critical list are voluntary, being dependent upon the cooperation of the people involved. Where a mandatory priority prevents a contractor from fulfilling contractual obligations to private customers, the contractor's legal responsibility to the latter is cancelled. Where, however, the priority is voluntary, his immunity from damages is not established.

**I**N PRACTICE it is believed no court would hold such a contractor to the terms of a purely private contract, and there is legal opinion to fortify this belief since, it is claimed, the Government possesses the power to make a voluntary priority mandatory and therefore a contractor's voluntary acceptance of a priority rating in reality constitutes a yielding to the Government's threatened powers. Among these various powers is that contained in the Selective Service Act, governing the commandeering of plants.

Generally speaking priorities are issued on the basis of individual contracts, although blanket priorities for given classes of goods may be issued.

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March 1941

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# The Month's New Books

## Today and Tomorrow

*American Business in a Changing World.* By A. W. ZELOMEK and ROBERT C. SHOOK. McGraw-Hill Book Company, New York, \$2.50.

THE authors of this book are connected with the International Statistical Bureau, Inc., Mr. Zelomek as president and economist, Dr. Shook as vice-president and director of research. They collaborate in a survey of our present position and a forecast of our future problems.

In the first three chapters they sketch the background of current affairs, covering particularly the European and American scene since World War No. 1 and the relation of the British Empire to this country. Then they survey such problems as nationalism, gold, the raw material situation, and international trade. Finally, they consider the defense program and come to some conclusions as to the economic, political and social possibilities of the longer range future. They find, in general, that whether the totalitarianism or democracy wins, the world faces great change, and that foreign events have caught up with our traditional isolation, requiring us to adopt decisive policies.

## Building Cycles

*Building Cycles and the Theory of Investment.* By CLARENCE D. LONG, JR. Princeton University Press, Princeton, N. J., \$2.50.

PROFESSOR Long explains the fundamentals of that important phenomenon, the building cycle and the part it has in large scale fluctuations of employment and income.

He has compiled two indexes of building which, we are told, are unique. One is an annual index of United States urban, residential, business, public building and alterations statistics from 1856 to 1935; the other, a monthly index of total building in our cities from 1868 to 1940—figures that cast interesting light on the business cycle.

Mr. Long analyzes the interaction between investment and consumption, and its effects on building. He studies, particularly, long cycles in building, their timing, duration, relation to depressions, and severity. Demand for houses, speculation, and mortgage credit are also examined.

The author is assistant professor of economics at Wesleyan University.

## Balance Sheets

*The Balance Sheet of the Future.* By ROY A. FOULKE. Dun & Bradstreet, Inc., New York.

MR. FOULKE, manager of Dun & Bradstreet's specialized report department, summarizes several hundred replies to a 16-point questionnaire covering accounting problems. He sought the views of bank lending officers, financial executives of larger industrial and commercial companies, mercantile credit men and accountants, on a wide range of questions. The focus, however, was on the presentation of information in the balance sheet and accompanying certificate.

An enormous amount of information was obtained in this survey. In general, a large majority of bankers endorsed clearer, more complete reports; indeed, the other groups felt similarly, although there was considerable diversity of opinion as to accounting practices.

Mr. Foulke includes in this pamphlet—there's no charge for it, by the way—his annual presentation of balance sheet and operating ratios for 78 lines of business for the year 1939.

## British Trade

*Great Britain Under Protection.* By FREDERIC BENHAM. Macmillan, New York, \$2.50.

DEALING mainly with events since 1931 when Britain gave up free trade, Dr. Benham describes British commercial policy in recent years and appraises effects, notably of the reversion to protection. Trade agreements, Imperial preference, monetary policy, and the way tariff duties affected agriculture and various industries, especially iron and steel, are clearly described.

Trade and exchange policy, says Dr. Benham, undoubtedly won some short run advantages for British exports, but these diminished as other currencies were devalued and as trade agreements spread. In the long run, he believes, Britain "is bound to lose by a greater movement towards greater self-sufficiency on the part of other countries. Yet her own economic policy during recent years has inevitably fostered such a movement. . . . With the signing of the Anglo-American trade treaty in November 1938 it seemed possible that Great Britain was preparing to adopt a more liberal trade policy, and was coming to realize that her true

## The Story of Banking

THE story of American banking is set forth in pictures and text in a recent issue of "Building America", published by the Society for Curriculum Study, Philadelphia, and edited in New York.

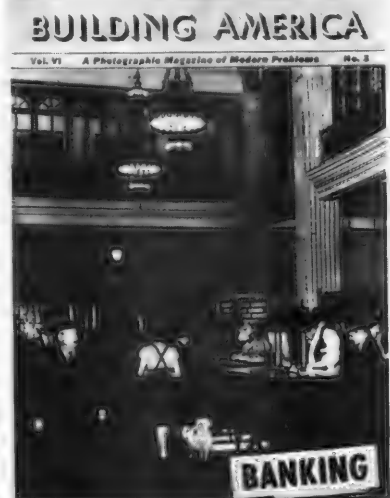
This "photographic magazine of modern problems" is assembling material "from the stirring pageant of contemporary life", and its presentation of banking provides a graphic account of bank functions, services and operations, which is adapted particularly to school use.

With the aid of many pictures the periodical shows how banking touches the lives of all Americans. Savings and commercial banking and their places in the economic picture are explained simply; so are the roles of the investment banker and the loan company.

The Federal Government's banking activities are touched on, with the aid of charts. There are also sections on bank personnel, changes in banking practices, regulation of banking, the

organization and work of the Federal Reserve System, and some of the current banking problems.

Pictured is the cover of the magazine's banking number.



BANKING





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interests lay in a general revival of world trade. But the outbreak of war temporarily put an end to all such hopes."

Dr. Benham is Sir Ernest Cassel, Reader in Commerce at the University of London.

**Defense Literature**

*Guide to Library Facilities for National Defense.* American Library Association, Chicago, \$1.25.

LAST Summer a committee representing several library organizations set to work at gathering information about library resources of potential value for national defense. About 200 general and more than 400 special libraries were asked to contribute data on their material, the purpose being to find the principal collections relating to war industries and defense preparations and to obtain descriptions of them.

Results of the survey appear in this book, edited by Carl L. Cannon. Arrangement of the main text is first by broad subjects, with sub-headings for divisions in the field, while under the subject heading arrangement is by geographical region. Material in the library of the American Bankers Association is included.

This is a preliminary edition; a more complete report is contemplated.

**More About Defense**

Two recent publications relating to the defense program are *Doing Business Under the Defense Program* (Bureau of National Affairs, Washington, D. C., \$1) and *Defense Housing in Our Town* (Twentieth Century Fund, New York, available in quantities at nominal cost).

The former item is a handbook of the laws governing business practices during rearmament. It covers such things as bidding on defense contracts, negotiating Government contracts, obtaining advances for plant facilities, tax amortization, labor requirements, and other important points on which accurate information is essential.

The Fund's pamphlet outlines "the community's problem in providing homes for workers in defense industries." The suggestions are based on the organization's recent special emergency survey of defense housing.

*Conscription-Law and Regulation.* Commerce Clearing House, Inc., Chicago, \$1. Here are the texts of important laws and administrative provisions affecting the individual called for military training.

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HOME OFFICE: CHICAGO

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## An American Forecast

(CONTINUED FROM PAGE 32)

inescapable conclusion that the demand for government services will be even greater than in the past. This will mean higher per capita costs for government services and it will also mean that, with a larger proportion of the population falling in the group too old to be active earners, it may be necessary to devote a larger proportion of the national income to various kinds of old-age pensions and relief programs, with the result that there will be less saving and capital accumulation than in the past.

Smaller families mean fewer children in school and nowhere will the effects of the lagging rate of population growth be so easily seen as in the case of the schools. In most of the larger cities the number of children entering the first grade has shown a decline for some years. This has not yet meant the use of fewer buildings, but it will eventually. In time the decline will pass along through the school system and be reflected in the enrolment of the colleges and the universities. With a smaller number of children entering the system

there will be more pressure to lengthen school courses and an added impetus will probably be given to vocational training and to the adult education movement. Teachers will tend to become more class conscious in their efforts to maintain their numbers and their status as will other groups of public employees.

The same thing may well be true of those receiving old-age pensions and other forms of government aid. The Townsend movement is the forerunner of other group pressures to come. It may well be that the 20th Century counterpart of the last century's demand for free government land is the demand for social security.

The decline in the rate of population growth has a very definite bearing on the real estate situation. However, families are becoming smaller and the decline in the building of homes will probably not be as great as the rate of decline in population. Patterns of living are changing; houses will be smaller.

Another factor which affects the

## In a Changing World—

A few things remain as they always have been. One of these is the unfailing quality of co-operation with correspondents maintained by Mississippi Valley Trust Company.

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real estate situation is the evident tendency toward the decentralization of the population. It is clear that most large cities have not grown in the last decade to the same extent that the areas immediately outside the cities have grown. This has been due to a number of factors, one of which is that the depression tended to emphasize the desirability of owning a home and having a garden.

Another factor in this decline in the rate of growth in large cities has been the conscious policy on the part of a number of industries to decentralize their industries in order to secure better facilities and to bring about better labor conditions.

**F**ARM prosperity is a factor of vital importance to many banks throughout the country. The farm problem of the past and present is by no means solely a matter of loss of demand due to the declining rate of population growth, but this has been an important factor in the situation which has also included the loss of foreign markets and a revolutionary change in farming methods. A very large part of all farm products go directly for human food or, more indirectly, for such uses as clothing where the demand is closely correlated with the size of the population.

The loss of foreign markets has been a factor but by no means so important a factor as the failure of the domestic market to absorb the increased flow of products.

In so far as the decline in population is less than the increase in available purchasing power, farm prices, like other prices, may not immediately decline. *However, when the defense program has ceased to be an influence and it becomes difficult to maintain purchasing power there will be strong pressure to adopt inflationary devices and these moves will find support from many businessmen as well as from farmers who will feel that the maintenance of total purchasing power is necessary.*

By no means all the implications of the declining rate of population growth have been considered. Other causes of change will play their intermingled parts. There will be time for foresighted businessmen to make adjustments. But the old, easy assumption that any fairly-well managed business would grow if it kept up with the growth of the population no longer holds good. The escalator is slowing down. It may stop. The stairway is there for those who can use it. But the individual business concerns and the communities that get to the top will have to climb.

March 1941

**A** BANK, like other institutions and organizations engaged in public service, reflects the character of those whom it serves and of those who serve it.

This Bank numbers among its clientele and correspondents the leading financial institutions here and abroad. Whether located in small town or large city, each contributes something of its own strength and facilities to the mutual interest of all.

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# How to Choose a Bank Lot

AARON G. ALEXANDER

*During ten years' affiliation with the National City Bank of New York, the author has designed and equipped 20-odd branch banking buildings and has under his architectural supervision a total of 72 branches in the New York metropolitan district. Articles on bank planning by Mr. ALEXANDER appeared in September and November BANKING.*

It is almost possible, with all the modern inventions of this age, to say that a bank could be built on any sized lot. With mechanical ventilation, air-conditioning, improved lighting, etc., windows are not essential. Therefore, the only item that dictates the size of the lot is the human element, or the space to be occupied by clients and personnel. As the bank personnel may be distributed over numerous floors, the question resolves itself into adequate floor space for the public. To that factor can be added the usual requirements of tellers' operations to determine the width of the building.

Years ago it was thought that nothing less than a 40-foot lot would do, but

then the "U" shape plan for the counterscreen was thought to be the best. This "U" plan means counterscreens on three sides of the room with the public space in the center, somewhat similar to Sketch 3, but when it is installed on a 40-foot lot it means a combined public area only 18 feet wide. With check desks in the middle, there is only 9 feet of space to serve each side. This "U" plan therefore, is not adequate in a 40-foot building.

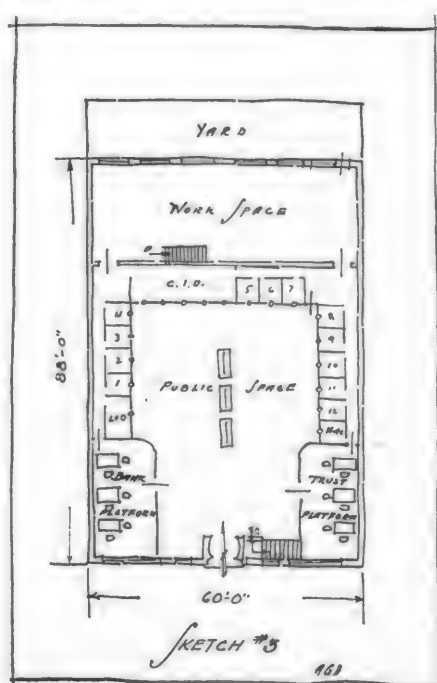
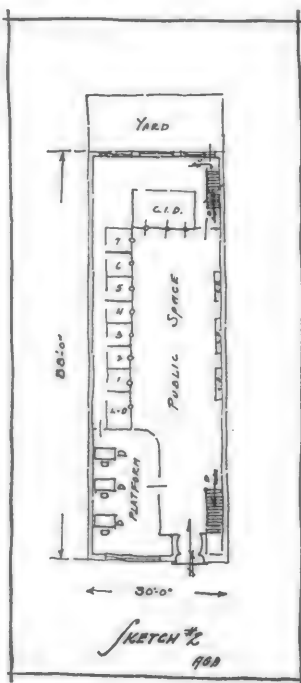
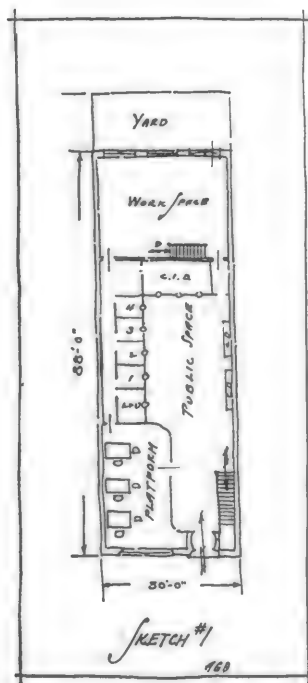
Experience has shown that better results can be obtained with the "L" shape plan with counterscreen at side and end only, and, therefore, a lot as small as 25 feet wide can be used, although 30 feet is what the writer recommends. Of course, anything over this 30 feet is what might be called "so much gravy", but for the sake of this discussion let's assume the 30-foot lot and analyze it in relation to bank requirements.

Referring to Sketch 1, it will be seen that with such a lot we can arrange a building, assuming the walls to be 18 inches thick, that will give us a floor

space of 27 feet. The counterscreen cages would be 5 feet 6 inches deep with a passage way of 2 feet 6 inches in back, leaving 19 feet for public space. The check desks would be located along the opposite wall and would allow reasonably long lines to form in front of wickets. Generally, banks should not have more than ten clients in a line at one time. Under those circumstances, this floor space of 19 feet for the public should never be overcrowded. Certain cages require sometimes a deeper space than 5 feet 6 inches—for example, the interest department, where a large tub is necessary because of the savings cards. We locate this at the end, instead of at the sides, so as not to cut into the passage or public space.

Now suppose the bank is nearing the \$5,000,000 mark in deposits and the prospects are that in the next five years this figure may double. In such cases the bank should purchase or have a refusal on the adjoining property so as to increase the public space. Then, with the "U" plan, there will be 38 feet of public space, similar to Sketch 3. On the

Below, the three sketches referred to in the article





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Other endowments, ranging upwards from \$1000, have come from women who believed in the contributions to scientific progress Rensselaer Polytechnic Institute, Troy, N. Y., has made since 1824 in "the application of science to the common affairs of life."

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other hand, it should be noted that in the first sketch normal increase in business can be easily handled without going to the above-mentioned extreme simply by finding other quarters for the work space, such as constructing a second floor and adding cages in the rear of the ground floor as shown in Sketch 2.

Leaving details of arrangement for interior departments for a later discussion, let us consider some of the other items bankers should think of at the time of purchasing a lot, since the location is very important.

These considerations are transportation, parking and adjacent tenants. I wonder how many bankers realize that from the point of the real estate dealer and certain store owners a bank is not exactly a welcomed asset next door. Why? Well, the objection is raised that a bank is a dark spot in the block, as banks are designed with the thought of security and, therefore, have no large show windows to be lighted up at night. There are some chain stores that make a practice of not locating next to a bank. Of course, this is not serious in smaller communities where street lighting is given more consideration than in the larger cities. In other words, in large communities the lights are usually on the corner and curb lighting is prohibitive, which is not true in smaller cities and towns where lights may be spaced along the curb on 50-foot centers.

With reference to transportation, it would be wise for the banker to study any contemplated lot on a city map, analyze the location as to the proximity of the bus terminals, railroad station, and so on. This assumes, of course, that he intends to canvass outside the city limits.

It would be wise for him to consider proximity to parking spaces, also. Parking is becoming more and more a problem in this automobile age, and if, by chance, a banker cannot locate close to a parking space he should guard against getting too close to a large department store or the like where curb parking might be at a premium.

On this same map he can analyze his business clients so as to locate closest to his preferred accounts—for example, large stores or factories where he might draw savings accounts and personal loan business. He should check his proximity to other banks, as well.

In this connection our banker might note where and on which side of the street some of the large chain stores are located.

They generally make a thorough study of this traffic condition in selecting a spot.

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#### MARKETS (% of the U. S. total)

Population	90%
Personal Income Tax Returns	86%
Native White Families	88%
Total Wealth	88%
Passenger Cars	84%
Commercial Cars	83%
Retail Sales	86%
Bank Assets	90%
Bank Savings Deposits	88%

#### MATERIALS (% of the U. S. total)

Value of Mfd. Products	91%
Mineral Products	77%
Dairy Products	88%
Lumber	51%
Coal	94%
Manufactured Gas	95%
Steel	98%
Electrical Horsepower	82%
Petroleum Industry	83%
Wheat Production	81%
Corn Production	99%
Cotton Production	93%

★

● **TODAY**, as never before, a combination of markets, materials, and safe, secure location, is vital to manufacturers. Indiana's interior location combines all of these requisites in maximum degree. And, within Indiana's borders you will find friendly, co-operative labor, low taxes, full transportation facilities and other unusual advantages.



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Our Industrial Data Book is yours for the asking. It gives full details of Indiana's many advantages. Write for it. All inquiries confidential.

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J. H. Albershardt, Director

# Laboratory Work in Banking

THREE Cleveland bankers are in the first group of men who have agreed to cooperate with the business administration department of Western Reserve University by acting as "sponsors" for senior or junior college students of the institution.

Each man will give two hours weekly to introducing the student he will sponsor to the practical details of the banking business, in order to give the student an opportunity to see how

the theoretical courses he is studying are put into practice. The plan marks a new departure in education, inaugurated by Western Reserve recently.

The first sponsors in banking are Tracy L. deForest, assistant treasurer, Cleveland's Society for Savings; W. F. Taylor, assistant deputy governor of the Federal Reserve Bank of Cleveland; and J. W. Woodburn, treasurer, Cleveland Trust Company.

Professor C. C. Arbuthnot, head of

the department of business administration of Western Reserve, explains that 35 Cleveland men, representing businesses varying from factories to radio station WGAR, have accepted sponsorships.

"Each man will arrange for his student or students—some men want to take two at a time—to observe the operations of his business in every practical way. He will show all his departments to his students, introduce them to heads of departments, explain about his trade associations, take them to meetings, put them in the way of seeing industrial exhibitions, inform them about trade literature and about his business's relation to government," said Dr. Arbuthnot.

"We hope the experiment will give the student opportunity to get a practical application of what he is learning in a coordinated way. There will be no relationship of employer and employee. The sponsor assumes no responsibility to hire or place his students in business upon their graduation. The sponsor, however, will be a friendly guide. For his trouble he will receive nothing but the satisfaction of helping the rising generation.

"The student may be under the guidance of the same sponsor for the final three terms of his education, or he may elect to be guided by different sponsors, each representing a different business; the student will have the option of accepting whichever seems to him of greater value.

"Another fruit of the plan is bound to be the opportunity it will afford to many business men to become articulate about the philosophy of business they have amassed through experience. There must be a vast amount of such useful tradition which is lost to the world because of the lack of time and opportunity for most business men to make any record of their findings of this sort."

## Army Banking

A NEWCOMER among Army post branch banks is the branch of the South Carolina National Bank of Charleston located at Post Exchange Branch No. 16, Fort Jackson, South Carolina.

Among the old-timers is the Army National Bank of Fort Leavenworth, situated on the reservation of the same name in Kansas.



MANY BANKING  
OFFICES



SERVING NORTHERN  
CALIFORNIA  
HEAD OFFICE, SAN FRANCISCO

## Statement of Condition

AT THE CLOSE OF BUSINESS DECEMBER 31, 1940

### Resources

Cash on Hand and in Banks	\$ 79,880,716.97
U. S. Government Bonds and Notes	52,278,882.23
State, County and Municipal Bonds	32,619,042.76
Other Bonds and Securities	17,463,814.02
Stock in Federal Reserve Bank	570,000.00
Loans and Discounts	156,767,388.35
Bank Premises and Equipment	7,328,249.60
Other Real Estate	290,363.97
Customers' Liability under Letters of Credit, Acceptances and Foreign Bills	5,709,383.53
Accrued Interest Receivable and Other Assets	1,581,979.85
<b>Total Resources</b>	<b>\$354,489,821.28</b>

### Liabilities

Deposits	\$322,960,084.99
Letters of Credit, Acceptances and Foreign Bills	6,033,364.40
Reserve for Interest, Taxes, etc.	814,797.72
Capital Stock	
Preferred	\$7,500,000.00
Held by more than 2000 stockholders	
Common	\$7,500,000.00
Held by more than 4000 stockholders	
	15,000,000.00
Surplus	4,000,000.00
Undivided Profits	5,681,574.17
<b>Total Liabilities</b>	<b>\$354,489,821.28</b>

Securities carried at \$23,231,751.46 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

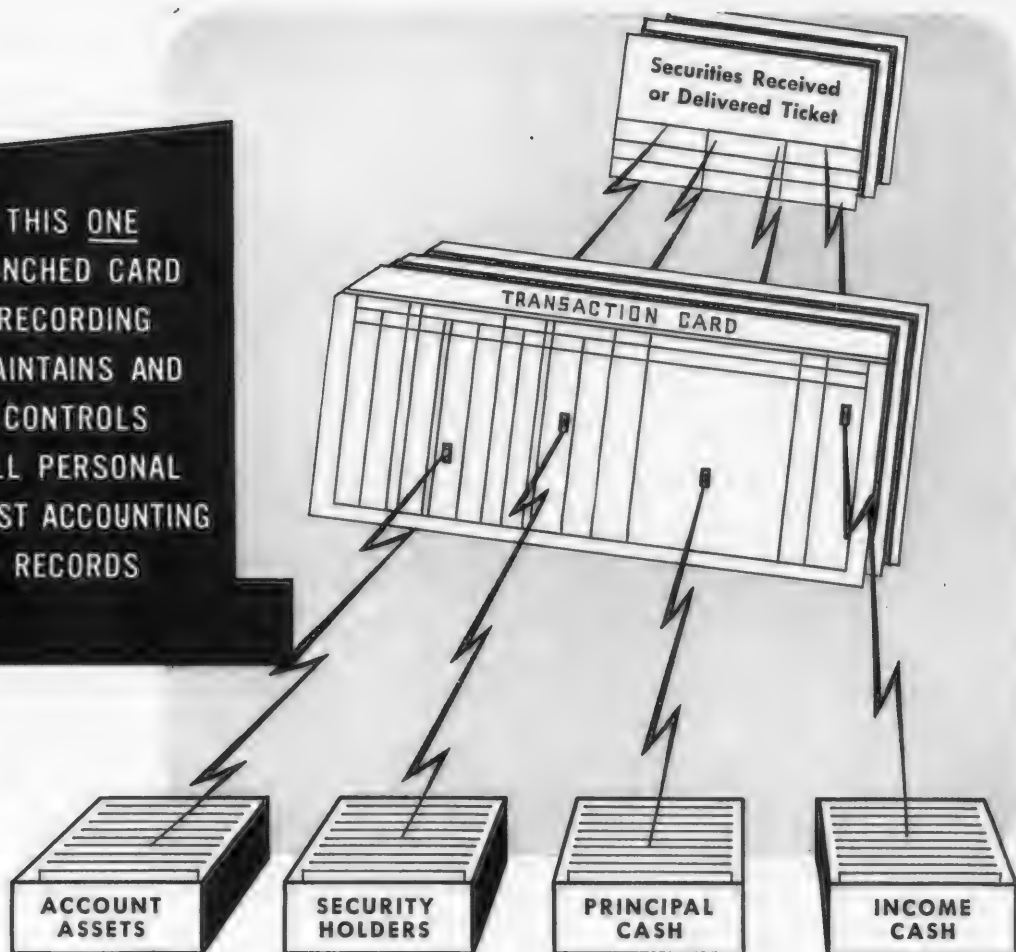
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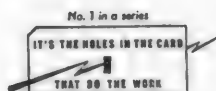


The efficiency of punched card accounting is graphically demonstrated by the small number of records which are required. With this method, only four simple card files are necessary. These files of punched cards contain all the pertinent information.

A punched card record is more than a "record" in the ordinary sense. Punched cards are "live", flexible records, capable of auto-

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Your nearest International Business Machines representative will be glad to show you how punched cards can be advantageously applied to your bank. Call him today.



BRANCH OFFICES IN PRINCIPAL CITIES

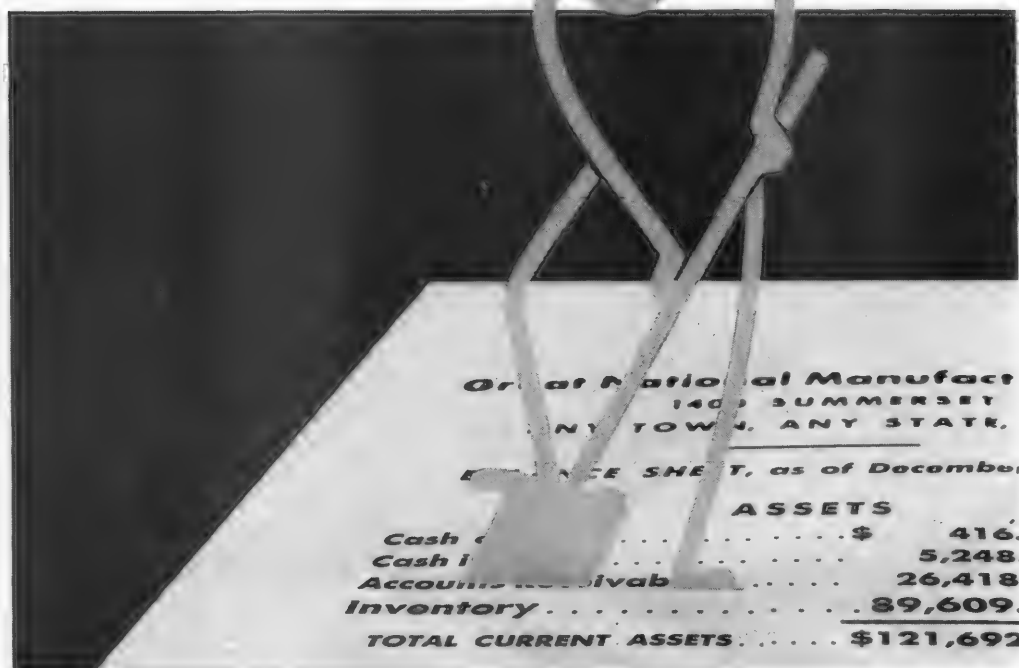


INTERNATIONAL BUSINESS MACHINES CORPORATION

MARCH, 1941

77

# THERE ARE LOANS ARE



Order at National Manufact  
1400 SUMMERSET  
ANY TOWN, ANY STATE.

**BALANCE SHEET, as of December**

ASSETS	
Cash	\$ 416.
Cash in	5,248.
Accounts Receivable	26,418
Inventory	89,609.
<b>TOTAL CURRENT ASSETS</b>	<b>\$121,692</b>

## BUT YOU'VE GOT TO DIG FOR THEM

AND THE BEST PLACE TO DIG is in the balance sheets of your customers. Wherever you turn up one with a large inventory figure you've found a prospect for a good loan. Why? Because marketable inventory makes A-1 collateral when hypothecated to your Bank through Lawrence System warehouse receipts. Under this System the goods remain on your customers' premises and are released by you as needed • Yes, there ARE loans available and we urge you to write today for free booklets telling how YOUR BANK can go about getting some of them on your books

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## Borrowed Capital

A RECENT ruling by the Commissioner of Internal Revenue, Guy T. Helvering, holds that deposits, for tax purposes, are not "borrowed capital."

"Borrowed capital" is defined in section 719 (a) (1) of the Excess Profits Tax Act of 1940 as

"The amount of the outstanding indebtedness (not including interest and not including indebtedness described in section 751 (b) relating to certain exchanges,) of the taxpayer which is evidenced by a bond, note, bill of exchange, debenture, certificate of indebtedness, mortgage or deed of trust."

The Bureau in its Regulations Under the Excess Profits Tax Act of 1940, promulgated February 10, 1941, in section 30.719 defines the term "certificate of indebtedness" in the above definition of "borrowed capital" as follows:

"The term 'certificate of indebtedness' includes only instruments having the general character of investment securities issued by a corporation as distinguishable from instruments evidencing debts arising in ordinary transactions between individuals. Borrowed capital does not include indebtedness incurred by a bank arising out of the receipt of a deposit and evidenced, for example, by a certificate of deposit, a passbook, a cashier's check, or a certified check."

## A New High For Savings

DEPOSITS in mutual savings banks were at a new all-time high mark when 1941 opened. The total on December 31 last was \$10,617,758,621, but the gain of \$27,920,794 in the final six months of 1940 was smaller than in other six-month periods of recent years.

The National Association of Mutual Savings Banks commented that the action of deposits at this time "pointed to a well-stabilized plane of savings. Many mutual institutions have rigorously restricted deposits because of the sluggish investment markets. In most instances these institutions are accepting only limited sums, which they regard as true savings money."

The action of mutual savings bank assets followed the same general course as that of deposits, rising by \$4,491,335 to another high mark of \$11,919,295,212.

In the same period, number of accounts receded by 132,383 to 15,624,440. Many of these were Christmas Club accounts, generally reopened in the New Year.



## MR. BANKER, SHAKE HANDS WITH THESE 4,628 MEN

These are Northwestern Mutual agents. As such they, like the banker, occupy positions of importance in the financial lives of more than 700,000 good Americans—policyholders of the Northwestern Mutual.

**T**HE Northwestern Mutual agent has always believed that it was important for him to know and work closely with the bankers of his community. Many bankers, on their part, have long felt that it was worth their while to know the Northwestern Mutual agent—to know what he was doing and how he was doing it.

Here are some significant facts about the Northwestern Mutual agent that may help you to know him better. We shall give you others from time to time in these pages.

1. The Northwestern Mutual agent is always a licensed representative. He and he alone is empowered to write applications for Northwestern Mutual Life Insurance. Thus every Northwestern Mutual

policyholder is assured the service of an agent who knows this company, knows its guiding principles, its policies, its methods, its facilities for assuring its members insurance plans suited to their needs.

2. The Northwestern Mutual agent has, for years, obtained approximately one-half of his new business from existing policyholders—the very people who are most familiar with his services.

3. The Northwestern Mutual agent has so conscientiously adapted the amount of insurance he writes to the policyholder's ability to save, that last year, for instance, 96.8% of the insurance on all policyholders alive throughout the year was continued in force—a persistency which has been unsurpassed in life insurance. Throughout life insurance circles, the Northwestern Mutual agent is known for his fidelity to his policyholders' interests. We believe this is a quality which should commend him to the banker.



*We are* **THE NORTHWESTERN MUTUAL**  
LIFE INSURANCE COMPANY  
MILWAUKEE, WIS.

# ★ ORGANIZATION ★

PRESENT DAY BANKING'S PROGRAM OF ACTION

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**NEW YORK AND LOUISVILLE CONFERENCES—BANK LENDING REPORT—  
CONSUMER CREDIT CONFERENCE—A. I. B. NEWS—MEMBERSHIP WORK**



Photographs from banks, large and small, reveal operators everywhere using Burroughs to post the nation's checking accounts. This photograph shows one section of the extensive offices of The Detroit Bank, Detroit, Michigan.

## POSTING THE NATION'S CHECKING ACCOUNTS . . .

From one end of the nation to the other, banks regard Burroughs machines as outstanding for speed, ease and economy—as well as dependability—in posting checking accounts.

And today—with banks buying more Burroughs products than at any other time in a decade—there is conclusive evidence that Burroughs' new developments, new machines and new features are the most advanced and the most dependable for meeting today's requirements.

BURROUGHS ADDING MACHINE COMPANY • DETROIT, MICHIGAN

# *Today's* Burroughs

DOES THE WORK IN LESS TIME—WITH LESS EFFORT—AT LESS COST



# Banks and Defense Production

P. D. HOUSTON

*Mr. HOUSTON, President of the American Bankers Association, in his address before the recent Mid-Winter Conference of the Trust Division, outlined the banks' part in national defense. Here, in part, is what he said.*

ONE of the most striking phenomena in this country has been the rapidity with which public opinion has changed since the blitzkrieg on the Low Countries last Spring. This attack did violence to every ideal of justice, honor and mercy that the American people hold. Isolationism and pacifism broke down completely before it. And, ever since, we seem to have been drawn irrevocably closer to the only survivor, the beleaguered and courageous people of the British Isles.

Under the leadership of our Government the public now seems to have embraced the theory that the defense of England is synonymous with the defense of the United States, or as Ambassador Bullitt expressed it, that Britain's fleet is our Maginot Line. At any rate, the country is now being committed to the provision of the sinews of war to Britain's fighting forces, as well as to our own, and that without limit. Whether we have a fighting part or not, we are engaged in a huge wartime operation comparable in scope and size to that of 1917-1918. The expenditures and effort involved will exceed by far the enormous amounts contemplated for our own rearmament when it was first proposed last Summer.

It is doubtful if the public has even begun to appreciate the burden that this will impose upon them, the interferences it will work in their affairs and the pressures it will exert on our economic life. And it is equally doubtful if they would turn back, even if they did appreciate it. It is also doubtful if the business community has begun to realize what the defense program will demand of it.

CONVERSION of a peacetime economy into a war economy is a slow process. Even the conversion of a country's military forces from a peace to a war basis, is a slow process. So far we seem only to have been going through the "paperwork" stages. But day by day the program is being accelerated and it is expected that within the next few months the defense goods business will descend upon us as if in a flood.

Every manufacturing enterprise should be prepared to handle its share of this flood. Perhaps there won't be much profit in it. There may be a lot of discouraging experience with red tape and one might prefer to go on



"Chartered banking . . . is ahead of the call," said Mr. Houston

doing business as usual exclusively with his usual customers. But participation in the defense program is a patriotic duty. The public is united on the defense objective as it has not been united for a long time. The public has great faith in the American production system. The presence of William S. Knudsen as head of the Office of Production Management is symbolic of that. And it expects results.

Every manufacturer must be ready to put the necessary part of his facilities and of his talent at the service of the Government when called upon. It might be better if more manufacturers were bidding on Government orders now. The experience might help to familiarize them with what will be required later. In any case, the manner in which the independent production system responds to the needs of defense may well determine how far it will be permitted to remain independent in the future.

There are people among us, many of them vocal and influential, who are devoted to the theory that the Government should own or control the means of production and who would be delighted if the war emergency could be used as an excuse to apply their theory and this control. Such an attitude is not a pleasant thing to contemplate, nor does it appear to be a fair handicap at such a time, but the world is at war today over just this issue of government control vs. freedom. The outcome of this issue in our country will probably rest upon whether England stands up, and how long and how fast we are able to arm England and rearm ourselves. It becomes a question of whether democracy can move fast enough to meet the emergency. I am sure it can and that

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## *The Banks Are Ready*

"... WITHIN THE next few months the defense goods business will descend upon us as if in a flood.

SO FAR as organization for support of the national defense program is concerned, the banks are far ahead of the procession.

THE BANKS have been thoroughly organized

and prepared for the demands that the defense program will make upon them. They are all keyed up and going or ready to go.

EVERY LOAN made by a commercial bank will relieve the Treasury and the Government's credit of that much of a burden and will be a step in the employment of the normal channel of free enterprise in the defense program and in the preservation of the democratic way.

in a country like ours the enthusiastic effort of free people will always be superior to effort enforced by decree.

I am glad to say that so far as organized preparation for support of the national defense program is concerned, the banks are far ahead of the procession.

Representatives of the American Bankers Association rendered valuable assistance in the preparation of the Emergency Plant Facilities Contract now in use. They also assisted in the preparation of a standard supplies contract which it was hoped would facilitate the process of making loans for supplies other than plant construction. However, this contract has not yet been approved in Washington.

As soon as the Assignment of Claims Act, permitting the assignment of claims against government contracts, was signed early in October, the Bank Management Commission of the American Bankers Association appointed a special committee to study this Act for the benefit of the members of the Association. This committee had a number of conferences with the defense authorities at Washington and several meetings of its own. As a result of its studies it prepared a bulletin which is now a popular guide to banks in making loans under existing legislation. This bulletin contains the Assignment of Claims Act, a digest of the Emergency Plant Facilities Contract and an exposition of the various points to be considered and steps to be taken in making defense loans.

NOT content to stop with that, the A.B.A. has set up a nation-wide organization to interest banks in and acquaint them with the making of defense loans. The Association called a group of bankers to Washington from each Federal Reserve District for conferences with its Washington staff and with government agencies. From this group it named a National Defense Loans Committee which it provided with a program of action.

When the members of this committee returned home they called meetings of the bankers in their districts, drawing in the officers of the state bankers associations, giving them a short course in defense loan procedure based on the A.B.A. material and asking them to appoint committees and hold similar meetings in their respective states. State committees have been named and meetings have been held and are being held in every state. We have at headquarters a list of close to 400 bankers actively working as members of defense loans committees in the various states, or as key bankers.

I have said that the banks are ahead of the procession. In many places the defense program has not yet been felt. So far it would seem as if the Government had placed its orders chiefly in the larger centers. This is natural since the prime contractors for such spectacular things as airplanes, ships, tanks, trucks, etc., are located in such centers. But even they must buy their accessories in many places and their orders will flow to smaller producers in due course.

It is the stated purpose of the Government to spread its orders as widely as possible throughout the smaller industries. In this way it is hoped to utilize the entire productive capacity of the country on the theory that the likelihood of bottlenecks resulting from breakdowns will be reduced in proportion to the number of suppliers employed. It is also the theory of the Government that the difficulties of unemployment after the emergency is over and the defense program is completed, will be less if increased concentration of workers in the great industrial centers is avoided.

For these and other reasons the production of defense equipment and munitions will be decentralized as much as possible and as they are, local banks will be called upon for loans to finance rearmament orders.

Many of us are now busy with these loans. But those of us who are not, need not wait for something to do. We can facilitate the work of the Army and Navy and the Defense Commission by making an inventory of the manufacturing facilities of our communities or territories. The armed forces want to receive bids from qualified manufacturers who can begin production when they receive orders. We can also confer with and acquaint our customers and prospective customers with the procedure of bidding for, financing and executing Government contracts and informing them of our willingness to extend credit for them.

As the program develops, some banks may receive loan applications beyond their legal limit or applications which are not bankable. We are urging banks receiving such applications to take them to their city correspondents for participation, or to the Federal Reserve bank, or to the Reconstruction Finance Corporation, if necessary.

The response that we have had to our program is ample evidence of the devotion of the banking business to the country in this hour of need. Chartered banking has not waited for the call. It is ahead of the call.

# Payday at Camp

## Another Day, Another Dollar

**M**USIC is a vital thing in the life of a soldier. Among the many famous songs dealing vigorously with tense situations all the way from Armentières to Shanghai is a sentimental ballad about Army pay. The words imply strongly that you'll never get rich, you positively won't, you're in the Army now. What's more, the amount of pay per soldier bears out this conclusion, although the aggregate payroll is huge and growing and when the eagle sings it's still sweet music in any camp.

So it happens that making loans to build defense plant facilities and to manufacture supplies for the armed forces is not the only way banks have of making themselves useful in this emergency. Wherever there is a camp or station of any kind the services of a bank are needed, and at a time like this when great new communities of troops are growing up in all parts of the country, the nearby banks often feel like joining in the chorus, "You're in the Army now."

## Millions in Cash

**A**T PRESENT the largest camps contain between twenty and thirty thousand men. New arrivals are constantly increasing this figure and by July there will be 29 camps, each with twenty thousand or more men and ranging up to more than fifty thousand. There are scores of other soldier communities, varying in size all the way down to places which have only a few hundred men.

The Navy, too, has its stations, yards and bases with steadily increasing populations and in most cases, of course, there is the added concentration of large civilian groups engaged in construction work and furnishing supplies.

When next July rolls around the Army's cash requirements alone will be running in excess of \$2,000,000 in camps the size of Shelby in Mississippi and Fort Blanding, Florida. At Fort Bragg, North Carolina, the monthly amount of cash needed will be around \$2,500,000, and it must be remembered that this does not include salaries of the officers who are paid by check, and the civilian employees who are paid twice a month.

## Twofold Banking Problems

**T**HE ARMY'S interest in banking services around a military reservation is twofold, and each is distinguished from the other. First, the disbursing officer in any reservation is interested in having a nearby bank

designated by the Army and Treasury as a distributory where he can go each month and get the necessary cash. If no bank in the vicinity is available for this service the Government will arrange with the nearest Federal Reserve Bank for payroll cash each payday.

The older Army reservations offer no problem because arrangements of long standing are already in existence between the Treasury and banks in the neighborhood.

## And Now, New Problems

**A**SIDE from the payroll operation, the Army is interested in seeing that bank services of the usual kind are furnished to any Army community. The rapid expansion of the military personnel has caused banking and Army officials in Washington to give earnest study to the problem of emergency bank facilities.

Tom the Teller is in the Army now! — and this is his idea of how it should be done



Reservations close to large cities have no serious problem, although the banks must absorb quite a bit of additional detail occasioned by the fact that thousands of new and highly mobile residents have suddenly been plumped down in their midst.

It is the smaller banks located near camps that face the problem of being swamped each payday by men wanting change and checks cashed. In a number of posts it has been the practice of banks for years to send someone to the camp for this purpose on paydays.

The whole problem is one that will work itself out by the experience method in each individual case and in each individual case, it might as well be said, you'll never get rich.

## PICTURE LOG—Mid-Winter Trust Conference . . . Trust Research . . .



More than 1,000 bankers attended the A.B.A. Mid-Winter Trust Conference at the Waldorf-Astoria, New York, on February 4-6. *At left*, Carl W. Fenninger, president of the Trust Division and vice-president, Provident Trust Company, Philadelphia, addressing the opening session. Seated on the rostrum with Mr. Fenninger are, *left to right*, John J. Gibson of Toronto; A.B.A. President P. D. Houston; Judge Carl E. Wahlstrom of Worcester, Massachusetts, and Trust Division Secretary Merle E. Seleman

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*Above*, photographs showing two sections of the educational displays at the Mid-Winter Trust Meet in New York

*Right*, a photograph of the first annual trust banquet at the old Waldorf on May 5, 1911, was reproduced on the cover of the program for the 30th annual banquet on February 6, held at the old Waldorf's successor





## Banker-Farmer Meet... Public Speaking Contest... Consumer Credit

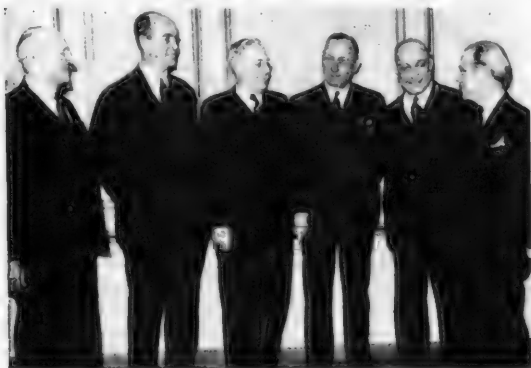


Above, Pittsburgh bankers at the closing session of the Allegheny County Trust Research Week. Right to left, S. Leroy Seeman, William B. McFall, Gwilym A. Price, James C. Chaplin, Herbert A. Kenan, George C. Burgwin, Jr., Gilbert T. Stephenson, director, Trust Research of A.B.A. Graduate School of Banking; Laurence S. Bell, Clyde C. Taylor, E. Alexander Hill and Nicholas P. McCuean



Left, Kenton R. Cravens, chairman, A.B.A. Consumer Credit Department and vice-president, Cleveland (Ohio) Trust Company, is arranging the St. Louis Consumer Credit conference on April 23-25

Below, Tennessee bankers and representatives of the A.B.A. Agricultural Credit Department attended a joint meeting with farmers at Jackson recently to discuss mutual problems. Left to right, D. H. Otis, Frank B. Caldwell, J. G. Faucett, A. G. Brown, Sylvane Freed and H. Grady Huddleston



March 1911

## HIGH SCHOOL PUBLIC SPEAKING CONTEST

*Theme*  
**AMERICAN CITIZENSHIP**  
Your Choice of Twenty Vital Subjects

*Prizes*  
**A TRIP TO HAWAII**  
For the Winner and Guest  
**OTHER VACATION TRIPS**  
**SILVER TROPHIES**  
**GOLD MEDALS**

**AN AWARD FOR EVERY ENTRANT**  
Ask your Principal or Teacher  
for an Entry Blank TODAY

**ENTRIES CLOSE MARCH 8**  
SPONSORED BY  
**CALIFORNIA BANKERS ASSOCIATION**

Above, the California Bankers Association announces another high school public speaking contest to stimulate among the youth of the state a deeper appreciation of the ideals, principles and responsibilities of American citizenship. Last year's contest was highly successful. Above poster is in blue and red

## The A.I.B. Executive Council . . . A Forum . . . and a Conference . . .



At the A.I.B. Executive Council meeting in Cincinnati 17 of the Institute's executive officers were present as well as A.B.A. Executive Manager Harold Stonier. *Left, front row, left to right, Dr. Stonier, Vice-president George T. Newell, President J. LeRoy Dart, Councilman Harry R. Smith, Educational Director William A. Irwin and Secretary Floyd W. Larson; second row, Councilmen Edward F. Matthews, William C. Pitner, Garnett Carter, Elmer W. Pollock, William C. Way, and David L. Colby; third row, Councilmen Albert F. Newman, Elmer M. Volkenant, C. Edgar Johnson, J. A. Reagan, Erwin V. Holton, and J. H. Gormley*

*Below, A.B.A. staff listening to Customer Relations Director William Powers explain the functions of his department. This is one of six conferences designed to acquaint the Association's New York staff with the functions of new departments. The meetings are held at the old Murray Hill Hotel, where tea is served before the discussions start*

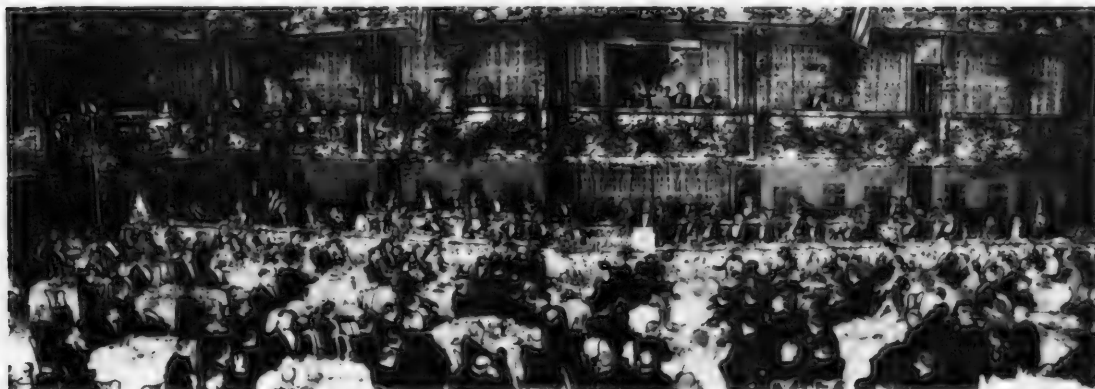


*Above, Executive Councilmen at work*

*Below, BANKING is making good last month's promise to show the members of Lancaster (Pa.) Chapter who attended a recent forum. Seated at head table, left to right, William Powers, A.B.A. Director of Customer Relations, the guest speaker; Chapter President J. J. Dietrich; Mrs. Mary Fager, and W. L. Robinson*



## New York Chapter Banquet 1941 . . . and in 1902 . . .



COURTESY AMERICAN BANKER

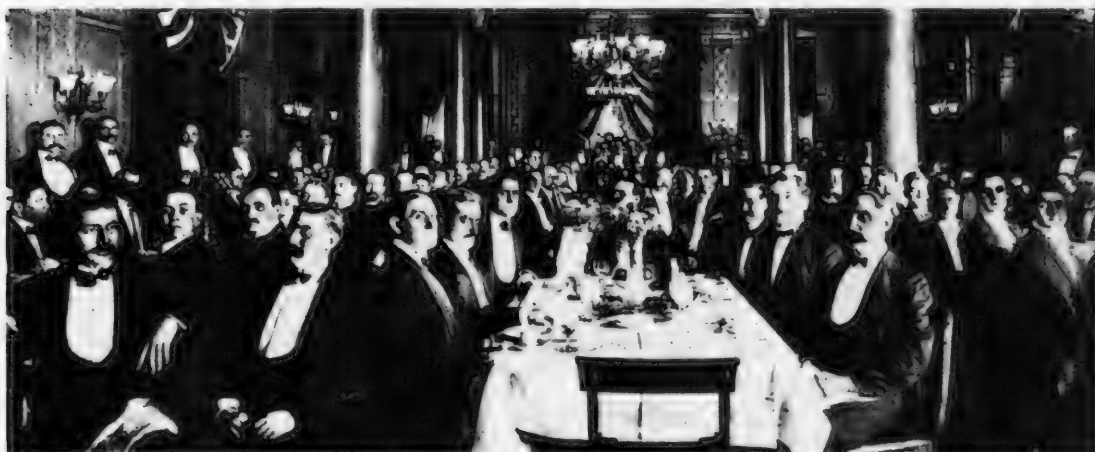
Above, the 40th anniversary of the American Institute of Banking was celebrated by New York Chapter at its annual banquet at the Hotel Astor on February 1. More than 2,000 bankers from various parts of the country attended. Col. John H. Jouett, president of the Aeronautical Chamber of Commerce, spoke on American aircraft production. First Vice-president Henry W. Koeneke was one of the distinguished out-of-town guests

J. Stewart Baker, chairman, Bank of the Manhattan Company, representing the New York Clearing House Association, presented a scroll to National President J. LeRoy Dart and to New York Chapter President Clinton W. Schwer, expressing the gratitude of the clearinghouse for the achievements and outstanding services of New York Chapter. Right, a section of the scroll

### New York Clearing House Association Anniversary Resolution for the New York Chapter of the American Institute of Banking

Whereas, the entire banking profession owes a debt of gratitude to the American Institute of Banking, and equally in this community the New York Clearing House Association recognizes its debt to the New York Chapter of the American Institute of Banking; and  
Whereas, the American Institute of Banking is now celebrating the  
**Fortieth Anniversary of its Founding**  
now be it

Below, scene from first annual banquet of New York Chapter of the American Institute of Bank Clerks held on April 24, 1902. Samuel Ludlow, Jr., who was then president, was among the past presidents attending the 1941 banquet



March 1941

## If Everybody Does His Part

GEORGE T. NEWELL, *Member, A.B.A. Bank Management Commission; Vice-president, American Institute of Banking; and vice-president, Manufacturers Trust Company, New York, before a joint meeting of Group Five, New York State Bankers Association, and industrialists of the Albany district.*

It is easy to see how far and wide will be the ramifications of the defense program and how many of us will be called upon to play a part. The banks of the nation are keenly aware of their responsibility. They are responding to the call for service, and are organizing themselves for it. Participation in the defense program is more than a mere business operation with the Government. It is a patriotic responsibility.

There may not be much profit in it, and there may be considerable discouraging experience with red tape, but this country will only be rearmed and Britain will only be kept supplied, if everyone does his part. An army is helpless without a properly functioning production system.

Our desire is to go right down to the local bank, which will go to the local businessman, and make available every helpful suggestion and bit of encouragement that is possible. There may be instances when, for some very good reason, the banker may not be able to solve his customer's problem, and in that event we plead with you to take him or send him, with the proper letters of introduction, to the Federal Reserve bank or branch in your district, and in turn, if the answer is not then found, be certain to see that he is given a hearing before a government agency, which would probably be the Reconstruction Finance Corporation.

We know that the National Defense Advisory Commission, the R.F.C. and other government agencies prefer to have the banks of this nation finance this program wherever it is possible. We also quite frankly admit that there are instances where financing through private institutions is not possible. But when those occasions arise, let your customer know that you are interested in the solution of his problem and record this interest by following through. The culmination of his success must bring a benefit to your community. You in turn will be performing a national duty.

Just a word of caution is suggested, and that is to try to understand the tremendous amount of detail necessary in the expansion of this program, which cannot help putting limitations on the government staffs. The thought here is that we must allow for unavoidable delays of Government payments, which are to be expected because of the enormity of this project. We have found, through experience, that as a matter of practice if a customer will cooperate with the bank by using a stamp on the invoice sent to the contracting officer to the effect that the account is assigned to its bank, the directing of payments through the proper channels, and

in turn to the bank, will be greatly expedited although we are aware of the fact that the required formal notice has previously been recorded and acknowledged.

Under Governor Lehman's leadership a conference of local defense councils was recently held here. It is well to impress upon everyone some of the statements recently made at Albany and in other cities.

1. The state can and should assist the Federal Government in carrying out its objectives for national defense.

2. There is and there should be great concern over the urgency for the production of defense materials. This cannot be over-emphasized.

3. All known existing facilities and potential facilities should be listed with your local procurement officers and/or the armed services in Washington. If you do not know the exact procedure to follow, your bank should be able to tell you.

4. As Governor Lehman stated, you should turn over all or part of your facilities when needed for defense production—prime contractors should use more subcontractors.

5. Another fine suggestion he made was that of pooling resources and production facilities in communities which do not have plants large enough to take contracts.

6. Banks acting as trustee or mortgagee in possession of idle plant facilities may find they are valuable for defense production.

7. Last, but not least, may I repeat, definite consideration must be given to a movement looking toward the utilization of every available unused manufacturing facility in the state and nation in support of this program. There is a lot of latent manufacturing capacity not being used.

It seems to me that if rearmament is to go forward without interruption, the entire essence of its success will be speed, and as it is a definite fact that small plants are needed as well as large ones, it might readily be called a marshalling of all our resources. It is perhaps true that the small manufacturers will require more banking aid, but at the same time it may also be said that they hold the key to our defense efforts. A bank clearinghouse letter recently sent to every manufacturer in the country told the world, in effect, "We have the money, you have the factories and the workmen—let's cooperate and build whatever Uncle Sam needs to defend this great democracy of ours and insure the preservation of our American way of life."



G. T. Newell



# A Variety of Views

## *Brief Extracts from Recent Comment*

TRUST business has a secure place in American economy only to the extent that trust service is understood, is accepted, and is spoken well of in the homes of common men. — GILBERT T. STEPHENSON, Director, Trust Research Department, The Graduate School of Banking, before the A.B.A. MID-WINTER TRUST CONFERENCE.

IN spite of the huge deficit of the Government, the large volume of gold that has been accumulated, the huge excess reserve balances and the large volume of bank deposits, inflation, in the sense of a sharp rise in commodity prices, is not imminent in this country. Not only is there no shortage of agricultural commodities and basic raw materials, but the measures already taken by the Government and those that may be taken in the future, particularly as regards priorities, are likely to prevent a sharp rise in commodity prices. — Professor MARCUS NADLER, New York University, before the WISCONSIN BANKERS ASSOCIATION.

MY feeling is that with the world economic outlook as obscure as it is, banks will do well to avoid speculative long positions in even the highest grade bonds. On the other hand, it is not by any means certain that there will be a rise in yields sharp enough and soon enough to warrant speculative a short position; i.e., the sale of investment holdings in the hope that there will be an opportunity to buy the issues back at a profit.

In these circumstances banks should be guided by their investment needs rather than by the hope of speculative profit. If they are underinvested today in relation to their income and liquidity needs and their ability to hold securities to maturity, they should not hesitate to add to their portfolios. On the other hand, if they are overinvested today the evidence suggests that they should get their portfolios in line promptly. — MURRAY SHIELDS, Economist, Irving Trust Company, New York, before the NEW JERSEY BANKERS ASSOCIATION.

IF the totalitarian states win the war, business as we have known it is assuredly gone. Individual enterprise will have neither meaning nor existence. Even if the democracies win, as I believe they ultimately will, the kind of business activity that built our great commercial and industrial system will be so modified as hardly to be recognizable.

The era of great fortunes, new or hereditary, is coming to an end. For even the tax exempt bond, that last citadel of great wealth, the writing on the wall is to be seen, and at any time it may fall into the arms of the insatiable tax collector. — JAMES ROLAND ANGELL, Public Relations Counselor, National Broadcasting Company, before the CONNECTICUT BANKERS ASSOCIATION.

THE problem presented by the continued calling of old high coupon bonds and high dividend preferred stocks has greatly reduced the volume of securities satisfactory for most trusts, especially in view of the fact that a great many of the refunding issues have been privately sold and are not available for trust investment. The broadening of the field for trust investment, therefore, becomes of great importance and the thoughts of a good many trust men have turned to the Massachusetts rule, of the "Prudent Man Theory," of trust investment, which relieves the trustee from more or less arbitrary restrictions and puts the responsibility squarely upon him to exercise proper care and prudence in making investments. — CARL W. FENNINGER, President, A.B.A. Trust Division, before the MID-WINTER TRUST CONFERENCE.

CONSUMER credit in the form of time sales financing and personal loans may form a first bulkwark of defense. Consumer credit operations play a major part in preventing the paralysis of money and activity. They are our first bulwark of defense in these respects. — OTTO C. LORENZ, Consumer Credit Authority, before the NEW JERSEY BANKERS ASSOCIATION.

A COMPLETE knowledge of consumer credit financing will definitely assist the banking institutions of the country in building for a permanent future. — FRANK P. POWERS, President, Kanabec State Bank, Mora, Wisconsin, before the WISCONSIN BANKERS ASSOCIATION.

WHY not research laboratories within each war plant where men and women will work with only one aim — the seeking of peacetime products which that particular plant could manufacture? — PHILIP W. KNISKERN, President, National Association of Real Estate Boards.

TALK as we will about pulling in the belt and cutting out non-essentials, we very quickly collide with the fact that preparation for war will inevitably involve an up-surge of the national life, an enlargement of needs, a shaking off of the torpor in which we have lain as in a trance for 10 years. — EMMETT F. CONNELLY, President, Investment Bankers Association of America.

IT is high time that we who believe in our economic system, we who believe in preserving the seed corn, we who know what the cost of the lost seed must be, we who see clearly the dangers of the road on which we are travelling—even though it is not yet publicly admitted to be collectivistic—should tell the American people, by every means possible, that we cannot eat the seed corn and have it too.—Dr. WILLIAM A. IRWIN, National Educational Director, American Institute of Banking, before the Mid-Winter Trust Conference.

# School Days for

**T**HE 1941 resident session of The Graduate School of Banking, conducted by the American Bankers Association at Rutgers University, will bring important extensions in the scope of this outstanding adult educational movement. Innovations will include the introduction, for the first time, of a course in banking and government and the inclusion of new features in two commercial banking courses. In addition, five authorities on banking and economics have been added to the school's faculty.

The new banking and government course is being undertaken in an attempt to lay the foundation for an understanding between bankers and the governmental agencies operating in the banking field. Dr. Paul F. Cadman, A.B.A. economist, will be in charge of the course. A. L. M. Wiggins, president of The Bank of Hartsville (South Carolina) and chairman of the A.B.A. Committee on Federal Legislation, will be one of the principal lecturers. This course will be open to seniors only.

Defense financing is the new feature of Commercial Banking V, which treats administrative problems in credit expansion. David C. Barry, a member of the first class of the Graduate School and vice-president of the Lincoln-Alliance Bank and Trust Company, Rochester, New York, will lead the defense loan discussions.

Agricultural credit is the topic added to Commercial Banking VI, which covers, among other subjects, the Federal Reserve System, bank insurance and consumer credit. A. G. Brown, manager of the A.B.A. Agricultural Credit Department, will lead the farm credit panels.

In addition to Mr. Brown and Mr. Wiggins, new faculty members are Otto C. Lorenz, management engineer for leading instalment lending companies and banks in this country and abroad, and author of articles in *BANKING* and other leading business periodicals dealing with consumer credit costs; Mayo A. Shattuck, member of the firm of Haussermann, Davison and Shattuck, Boston, and author of *Living Insurance Trust*, *Massachusetts Annotations*, American Law Institute *Restatement of the Law of Trusts*, and *A Trustee's Handbook*, *Shattuck Revision 1940*; and William A. White,

**STUDENT BODY**—698 bankers attended the 1940 session of The Graduate School of Banking. Since the founding of the school in 1935 every state but one has been represented at one time or another. Above, a small segment of the student body attending the 1940 session



**DIPLOMAS**—Rutgers University and The Graduate School of Banking jointly award diplomas to graduates. Above, Assistant Registrar Elder and Registrar Hill with diplomas for 1940 seniors



**ON TIME**—punctuality is a "must" at Rutgers. These students could not be accused of loitering along the way

**CAMPUS**—Several graduate students resting on the picturesque Rutgers campus at New Brunswick

**WOMEN**—the administrative staff—the only ones in sight. Misses Smith, Turner, Nash, Barnum, Kennedy and Johnson

A. F. SOZIO



# Bank Officers

superintendent of banks of the State of New York and chairman of the executive committee of the National Association of Supervisors of State Banks.

Since The Graduate School of Banking was founded in 1935 it has claimed the interest of authorities in adult education as well as leaders of the banking profession. It was organized as a means of extending the work of the American Institute of Banking, which was established in 1900. Bank officers, graduates of the Institute and college graduates who have completed courses in the A.I.B. satisfactory to the Faculty Committee on Admissions and who are holding positions equivalent to those of officers in their institutions are eligible for admission. All of those admitted must be in the employ of American Bankers Association members, with the exception of representatives of state and national banking departments.

In the "good old days" few could have foreseen that the time would come when senior bank officers would admit the wisdom of returning to school to learn how to be better bankers.

Attending the 1940 session were 21 bank presidents, one board chairman, four directors, 65 vice-presidents, 37 assistant vice-presidents, 54 cashiers, 15 treasurers, 11 secretaries, one superintendent of banks, 17 trust officers, et cetera; in all 698 bank officers, or their equivalent. There is no "title consciousness" at the Graduate School, however, for everyone is on a par and official titles are forgotten for the duration.

Teaching procedures follow the combination case system and lecture-discussion method. On every evening during the resident session, outstanding authorities in business and professional life address the student body. In view of the extension work conducted under the supervision of the faculty during the months between the resident sessions, no study periods are set aside during the rigorous two-week session.

Students who attend three resident sessions, satisfactorily complete the courses, submit an acceptable thesis, and pass the final oral examination are awarded a diploma issued jointly by Rutgers University and The Graduate School of Banking.

A typical day on the campus starts with breakfast

**FOOD**—meals are planned by Rutgers' dietitian, Miss Barbara J. Brace. Below, a tempting dish in the making



**FACULTY AND OFFICERS**—The Graduate School faculty now numbers 40. When the above photograph was taken all faculty members were not available. Left to right, Messrs. Sauvain, Hill, Brines, Wall, Young, Wilkinson, Alexander, Keister, Stonier, Jones, Elder, Powell, Irwin, Wolfe and Agger



**EXAMINATIONS**—Above, left, William F. Treiber, of the New York Federal Reserve Bank, taking his oral examination from faculty representatives Frank W. Simmonds, Adrian M. Massie and J. Harvie Wilkinson, Jr.

**NEWS**—Masthead of the GSB morning news, which is distributed to students at breakfast



**LECTURES**—Below, students attending a lecture in which they give evidence of being keenly interested

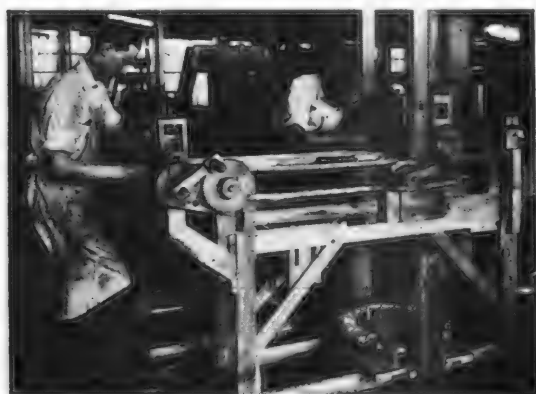
SOZIO PHOTOS



# ... Industry



**BANKING**—The American Institute of Banking, says Nathaniel Peffer, author of *Educational Experiments in Industry*, has stamped itself on its field more indelibly and more successfully than any other. Above, New York Chapter class in financial statement analysis under Instructor Clarence Joerndt



**MOTORS**—Ford Motors established its trade school in 1916 for boys between 12 and 15, who receive four years of cooperative instruction and the offer of a job at graduation with the option of refusing. Above, two of the 6,400 students in three Ford schools last Fall

**OPTICALS**—a vital defense industry. Bausch & Lomb Optical Co., Rochester, conducts eight technical courses and reports little trouble in expanding for national defense. Below, a B & L engineering group receiving special instruction



between 7:15 and 8, followed by classes from 8:30 to 12:20, and then luncheon, with a faculty address, and classes again from 2:30 to 4:30 or 5.

After the afternoon classes, a regular athletic program, including indoor baseball, tennis, swimming and calisthenics, is offered. Although no less than six golf courses are readily accessible, except over the week-end, there is not sufficient leisure time for the inclusion of golf in the recreation program.

Registration for the 1941 session, which will be held from June 15 to 27, is now in progress. The first 200 applicants over 25 years of age who meet the eligibility rules, will be admitted to the June session. The Graduate School catalogue explaining courses, eligibility, fees, and other requirements, is now available and will be mailed if request is sent to the Registrar at 22 East 40th Street, New York.

## Defense Stimulates Adult Education

**A**DULT education in America, of which outstanding examples are The Graduate School of Banking and the American Institute of Banking, has received a powerful impetus as a result of the national defense program, which necessitates the training of hundreds of thousands of additional semi-skilled and skilled workers.

That bankers throughout the nation are aware of the need for continued vocational training is illustrated by the fact that since the beginning of the present Institute year the A.I.B. has grown from a total of 386 study units to 452 as of January 1, with several additional groups in the process of organization. The Institute has reached an all-time high in the number of units within the organization.

When war came to America in 1917, industry and government were unprepared to train men and women in adequate numbers to turn out defense materials and while there is a great shortage of semi-skilled and skilled workers today, vast progress has been made in adult vocational training since the last World War.

**BANKING** finds that industry was not found napping in this respect. Rather, the methods and procedures it has evolved throughout the years provide the foundation upon which rests the Government's training within industry program—in fact the two men now heading the Defense Commission's training within industry program to provide a steady stream of skilled men and women to tend the machines of defense, have served long and distinguished apprenticeships in private industry. The Government's training program is on a nationwide basis, with 16 district representatives.

Methods of employee-training and the length of instruction varies with different industries, with the short-term study course predominating. Regardless, however, of the length of the training periods, many study groups

**BANKING**



# Educates Workers

are affiliated with the country's leading universities and technical schools, from the Atlantic to the Pacific.

In general, industry has used three broad employee-training plans. The first is the group cooperative method provided by trade associations, at least 50 of which sponsor educational programs for their members. The second is by class instruction in the trade schools of individual industries, such as the Westinghouse Technical Night School at East Pittsburgh. The third is learning by doing—that is, learning on the job.

The Westinghouse school was established in 1902 and several of the other industrial training projects date back to the dawn of the century. While no record is available as to the exact amount, it seems fair to say that industry has invested millions of dollars in developing training procedures and in the actual instruction of employees at company expense.

In Washington two government agencies—the Training within Industry Division of The Advisory Commission to the Council of National Defense, and the United States Office of Education—are cooperating with industry in the training of much-needed defense workers.

This government assistance is made possible in part by the Smith-Hughes Act, passed by Congress in 1917, establishing grants for schools to train students and employed workers in the field of industrial occupations, as a result of which there are today 1,053 public trade schools receiving aid under this and subsequent acts.

Plants and equipments of these schools represent an investment of one billion dollars. Many of them are partially equipped with machines and men loaned by industry.

Government coordination of these schools is carried on by the U. S. Office of Education, where it is estimated that by June 30, 800,000 workers will have received training for defense industries in these public vocational schools and engineering colleges; current estimates indicating that upward of 400,000 have received training since last July 1. Many of the schools are operating three-shift training courses a day.

With the establishment of the National Defense Commission, a Training within Industry Division was set up under the direction of C. R. Dooley, "on loan" from the Socony-Vacuum Oil Company, Inc., where he holds the post of manager of Industrial Relations. He is assisted by J. W. Deitz, educational director of the Western Electric Company. The services given by this agency are advisory and the use made of them by industry is purely optional.

In commenting upon the work of his division, Mr. Dooley said that it intends to be helpful in improving the programs and instruction methods of industry, thereby getting new workers and more of them on jobs, more promptly.

He believes it is fair to say that every new worker who enters industry during 1941 will have to be trained, some through rather formal methods and others by more experienced employees.



**ELECTRICAL**—Westinghouse Electric & Manufacturing Company, according to Mr. Pfeffer, has the most impressive educational effort creditable to a single industrial concern. *Above*, a Westinghouse group of graduate students preparing for an Engineering School conference



**GRAPHIC ARTS**—between 2,500 and 3,000 schools, including high schools and colleges, offer printing instruction each year. New York Employing Printers Assn. graduated 300 in 1940. *Above*, honor students visiting West Virginia Pulp and Paper plant at Mechanicsville, New York

**NATIONAL DEFENSE**—The National Defense Advisory Commission's program to speed industrial production includes assistance to industry in the training of skilled workers. *Below*, boys learning how to be expert tool and die makers



NATIONAL DEFENSE ADVISORY COMMITTEE PHOTO BY PALMER

# ORGANIZATIONS AFIELD

JOHN J. McCANN reports on activities of national, state and local bankers' organizations.

## Real Estate Mart



THIRTY-ONE western Massachusetts banks recently organized the Certified Real Estate Mart—a non-profit organization which will assist in the marketing of real estate owned by member mortgage lending institutions. The mart will not, however, operate as a pool. The main sales effort of the group will be put into an extensive advertising campaign. Costs will be pro-rated. Alfred H. Hastings, president of the Springfield Institution for Savings, has been named chairman of the group's five-man board of governors. Membership is made up entirely of mutual savings institutions.

## Speaking Contest

THE CALIFORNIA BANKERS ASSOCIATION announces its second annual public school speaking contest on the subject, "The Responsibility of American Citizenship". Students may develop their manuscripts on this general theme, or choose any one of ten closely related topics. Eliminations for the final contest will be held on a local, county and regional basis. In addition to a trip to Honolulu, and vacations at Camp Curry in Yosemite Valley, Aetna Springs and Catalina Island, silver trophies will be presented to regional winners and gold and silver medals to county and zone winners. All participants will receive an honor award.

"The sole purpose of this contest," says A. J. Gock, association president, "is to stimulate a keener appreciation of the principles and responsibilities of citizenship among young men and women who will shortly become voters and play an important part in perpetuating the American form of government."

## Investment Report

THE COMMITTEE ON Legal Investments, PENNSYLVANIA BANKERS ASSOCIATION, released recently a complete report on its study of the so-called "Massachusetts rule", and recommended necessary legislative procedure to effect ultimate local adoption. The rule, if passed, would eliminate all legislative restrictions on trust investments. As a result of its research in this connection, the committee has prepared two charts showing the status of the legal investment law in each state of the union with types of purchasable securities,

and a companion chart showing the liberalization through statutory enactment during the last ten years for each state. The charts reveal that 17 states enjoy no restrictions, legislative or otherwise, on the subject of trust investments.

## Research Group



FRANK MCNAIR, vice-president, Harris Trust & Savings Bank of Chicago, and Bert H. White, vice-president, Liberty Bank of Buffalo, are the banking members of the group of 28 industrial and research executives that will set out this month on a 43-day tour of industrial exploration through six South American countries. Although not an official mission, the group will submit a summary report to the Department of Commerce. Full cooperation has been arranged through country committees of the Coordination of Commerce and Cultural Relations Between the American Republics.

## Study Groups

LOUISIANA BANKERS ASSOCIATION has undertaken the formation of study groups throughout the state. Louisiana College at Pineville enrolled the first group from Alexandria with a membership of more than 70, 57 of whom are enrolled in a class of bank organization and operation. Similar projects have been scheduled at Lafayette, to serve the banks of the southwestern section of the state; at Monroe for the north central section and at Thibodaux for the south central group.

## Retirement Plan



THE NEW savings banks retirement system devised by the Savings Banks Association of New York State will soon be in operation with an initial group of 18 member banks. Principal features are that it is a joint contributory plan, self-administered under an agreement and declaration of trust approved by the Superintendents of Banks and Insurance and licensed under the Insurance Law. It provides for a normal retirement allowance at the age of 65, to be contributed equally by the bank and employee, with the purpose of granting an annual allowance of 1½ per cent of the employee's average salary for the last five years of service for each year of service, not exceeding 35 years. This would be the equivalent of 52½ per cent of the employee's average final salary.

**BANKING**



# Know Your Bank Taxes

**A** SLIDE FILM recently released by the Committee on State Legislation of the American Bankers Association is entitled "Know Your Bank Taxes". It is based upon the findings of a survey by that committee to determine the inequalities in state and local taxes levied in the 48 states. Carl K. Withers, president, Lincoln National Bank of Newark, is chairman of this committee.

The group approached the survey by first obtaining figures for model balance sheets and earnings statements from FDIC statistics for two different sized banks which could be used for both state and national banks—one with deposits of \$700,000 and the other, \$19,000,000. Each represents a composite of the actual figures of a large group of banks.

The balance sheet items of the "National Bank on Wheels" with which the slide film is concerned are:

Total Assets .....	\$801,457
Banking Premises Owned .....	12,000
Furniture and Fixtures .....	2,401
Other Real Estate .....	8,965
Deposits .....	695,170
Capital, Surplus and Undivided Profits .....	103,831
Net income amounted to .....	7,781

These model balance sheets were sent to more than 200 state and national bank officers throughout the country and each was asked to compute taxes for his bank on the basis of the figures supplied on the balance sheet, with the result that a tabulation has been com-

pleted for a national bank with \$700,000 in deposits. The committee is now compiling similar data for three additional classifications—a small state bank the same size as the small national bank, a large national bank, and a large state bank.

With the exception of a Federal capital stock tax of \$75 and FDIC assessments of \$579.31, only state taxes were included in this investigation. The earnings of our "National Bank on Wheels" did not exceed the exempt income and the bank therefore is relieved of Federal income tax for the year under scrutiny.

The results of the survey, as revealed by the slide film, are most enlightening. They show that a number of states impose confiscatory taxes upon banks located within their borders—taxes that are not based on ability to pay, but constitute a fixed charge on the bank regardless of earnings.

For example, a number of states levy a general property tax, based on a uniform rate of taxation of all property, real and intangible. Of these, Arizona takes the highest tax in the case of our "National Bank on Wheels", amounting to \$5,657.22, which represents 72.70 per cent of the bank's net income. Mississippi is next, with a tax of \$5,432.56, or 69.83 per cent of net income.

The average tax in this group of states is \$3,222.

A few sections of the slide film are shown below to indicate how effectively a "dry" topic like taxation can be presented when pictorially illustrated.

1

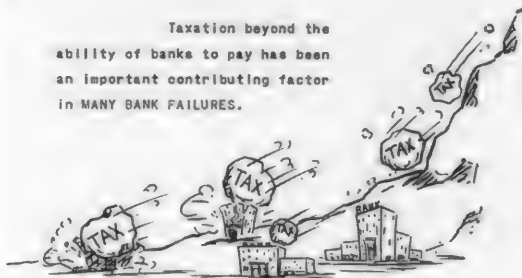
Heavy taxation of banks tends

to discourage bank capital,  
to lower bank salaries, and  
to raise the cost of bank  
service to customers.



2

Taxation beyond the  
ability of banks to pay has been  
an important contributing factor  
in MANY BANK FAILURES.



3

During 1939 F.O.I.C. member banks paid Federal, State and local tax collectors	
	\$105,809,000.
and the F.O.I.C.	40,700,000.
Total	\$147,509,000.

4

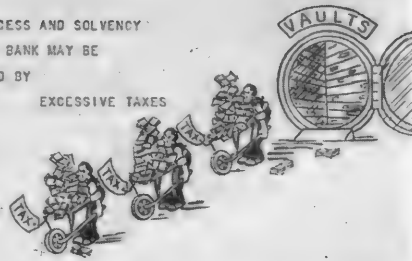
Banks in the following states  
bear the heaviest tax burden:

Arizona	\$5,657.
Mississippi	5,432.
Louisiana	3,499.
North Dakota	2,702.
Illinois	2,637.
Minnesota	2,632.

5

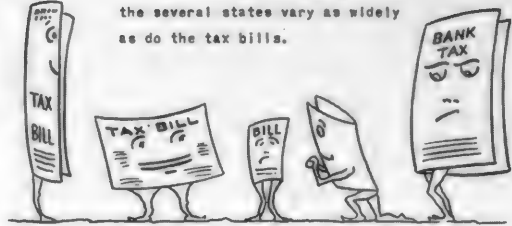
THE SUCCESS AND SOLVENCY  
OF YOUR BANK MAY BE  
IMPAIRED BY

EXCESSIVE TAXES



6

Methods of taxation between  
the several states vary as widely  
as do the tax bills.



7

The income tax is used by two  
states as the principal method of  
bank taxation while 11 states resort  
to an excise tax.

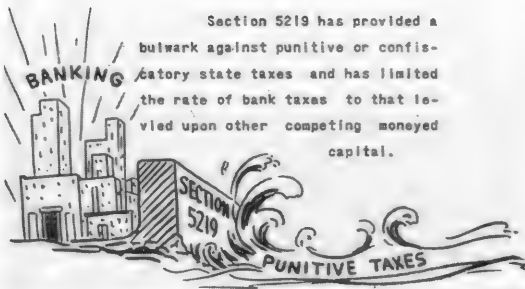
Both methods, based on ability  
to pay, are generally considered  
the more equitable.

8

Real-estate taxes are included  
in the state and local taxes discussed  
so far, and in most cases are an important  
item in the tax bill paid by our  
"National Bank on Wheels."

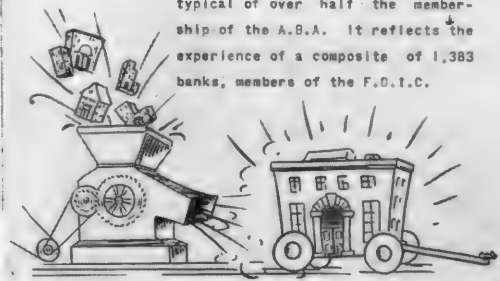
9

Section 5219 has provided a  
bulwark against punitive or confiscatory  
state taxes and has limited  
the rate of bank taxes to that levied  
upon other competing moneyed  
capital.



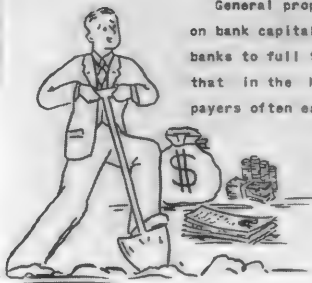
10

Our Bank on Wheels is small,  
typical of over half the membership  
of the A.B.A. It reflects the  
experience of a composite of 1,383  
banks, members of the F.O.I.C.



11

General property taxes and taxes  
on bank capital or shares subject  
banks to full taxation on property  
that in the hands of other tax-  
payers often escapes taxation.



12

TO KNOW YOUR BANK

YOU SHOULD KNOW YOUR BANK TAXES



The slide film giving the experience of the "National Bank on Wheels" as it journeys through the various states and gathers taxes—many times, in excess of its ability to pay—may be obtained, without charge, by writing the Secretary, Committee on State Legislation,

22 East 40th Street, New York, for showing before banking groups.

Also available to A.B.A. members are interesting data showing a breakdown of taxes that would be assessed on our typical bank by all of the states.



## 1,500 Expected at New York A.B.A. Conference

### Bankers From 15 States To Attend A.B.A. Meetings in Louisville, Mar. 20-21

Arrangements are virtually complete for the regional banking conference at Louisville, Ky., under A.B.A. auspices, Mar. 20-21.

Addresses and panel discussions on subjects that vary from national defense financing to bank operating techniques have been arranged for the morning, afternoon and evening sessions of the conference in the Brown Hotel. BANKING published the complete program last month.

An important feature is the public meeting on the evening of Mar. 21, which will be addressed by Dr. William A. Irwin, Educational Director of the American Institute of Banking.

President P. D. Houston of the A.B.A., First Vice-president Henry W. Koeneké, and Second Vice-president W. L. Hemingway are to preside at various meetings.

Mr. Houston also will be in the chair for the public meeting which concludes the conference.

Louisville bankers are assist-

ing in the task of organizing the conference and making plans for the several hundred bankers from 15 states who are expected to attend. In addition, there is a cooperating committee consisting of the presidents of the state bankers associations in the conference area.

#### Assisting Committees

In addition to a local committee whose members are the president of the Louisville Clearing House Association and the presidents of the member banks, several other committees have been working on behalf of the conference's success. These include, with their chairmen:

Arrangements, W. M. Davis, vice-president, Citizens Union National Bank; hotels, Charles A. Schacht, managing director, Federal Reserve Bank of St. Louis, Louisville branch; information, Henry V. Sanders, assistant vice-president, Liberty National Bank and Trust Co.; registration, W. T. Chapin, executive vice-president, Lincoln Bank and Trust Company.

Louisville: The Brown Hotel is the tall building on the right



March 1941

CUSHING



New York: The white tower is the Waldorf-Astoria

### Bank Lending In 18 Months Shows Marked Increase

#### Research Council Analyzes Figures

Noting "a marked increase in bank lending activity," the A.B.A. Research Council has issued a report summarizing its first three questionnaires to commercial banks on their loans.

Returns from the 4,219 banks that cooperated in all the surveys show that from Jan. 1, 1939, through June 30, 1940, these institutions engaged in 30,000,000 credit transactions aggregating \$52,500,000,000.

The number of new loans in the 18 months was 16,000,000, totaling more than \$31,000,000,000. There were 13,500,000 renewal loans amounting to \$20,000,000,000 and 344,000 new mortgage loans aggregating more than one billion.

The new loan figures, says the Council, show a steady in-

(Continued on page 102)

### Eastern Bankers Take Part in Big Meeting Mar. 5-7

#### President Houston To Open Sessions

Approximately 1,500 bankers from a dozen states are expected to register for the Eastern Regional Conference on Savings and Commercial Banking which is being held in New York City, Mar. 5, 6 and 7 under auspices of the American Bankers Association. The sessions are at the Waldorf-Astoria.

With P. D. Houston, Association President, in general charge, the conference provides a series of round table discussions and forums on current banking problems, including defense loans. Meetings have been arranged for both commercial and savings bankers.

At a luncheon on March 7, with Mr. Houston presiding, the conference will have as its guest of honor Allan Sproul, president of the Federal Reserve Bank of New York. Dr. W. Randolph Burgess, president of the New York State Bankers Association, and vice-chairman of the board, National City Bank of New York, will speak. His subject is "These Emergency Hours."

Officers of the Association and other prominent bankers are to be chairmen of various sessions. Mr. Houston will open the conference at a general session on March 5 when the theme of the speakers is "Improved Banking Service Through Effective Cooperation."

Scheduled to preside at other meetings during the three days

(Continued on page 100)

## At New York and Louisville



President Houston



Allan Sproul



F. C. Wiegman



W. R. Burgess



W. A. Irwin

### New York Conference

(Continued from page 99)

are: Hugh H. McGee, vice-president, Bankers Trust Company, New York, and member of the A.B.A. National Defense Loans Committee; Roy R. Marquardt, President, A.B.A. Savings Division, and vice-president, First National Bank, Chicago; Samuel N. Pickard, chairman, A.B.A. Public Relations Council, and president, National Manufacturers Bank, Neenah, Wisc.; E. B. Guild, member of the committee on agriculture, New York State Bankers Association, and president, First National Bank and Trust Co., Walton, N. Y.; Myron F. Converse, president, National Association of Mutual Savings Banks, and president, Worcester Five Cents Savings Bank, Worcester, Mass.

Also, H. Douglas Davis, president, New Jersey Bankers Association, and vice-president, Plainfield (N. J.) Trust Co.; Stuart C. Frazier, Vice-president, A.B.A. Savings Division, and vice-president, Washington Mutual Savings Bank, Seattle; Dr. Harold Stonier, Executive Manager, A.B.A.; W. Elbridge Brown, president,

Pennsylvania Bankers Association, and vice-president, Clearfield (Pa.) Trust Co.

The program in detail was published in the February issue of *BANKING*. Here are the general subjects to be covered:

Commercial banks and defense loans; savings bank investments; public relations; commercial bank agricultural credits; savings banks, the defense program and mortgage loans; commercial banks and consumer credit; savings bank "other real estate" and personal loans; economic round table; commercial bank investments; savings bank life insurance; school savings.

### Bulletin on Staff Meetings Issued

The A.B.A. Public Relations Council has published a bulletin on the conduct of staff conferences. Particular attention is paid to arranging them so as not to interfere with employees' work.

### Study Course Is "Hours Worked" Division Rules On "Building Business"

The Wage and Hour Division of the Department of Labor has ruled that the A.B.A. study course "Building Business for Your Bank" is directly related to the employees' work and that the time spent in taking the course must be considered hours worked for the purposes of the Fair Labor Standards Act.

The course, prepared by the Public Relations Council, was reviewed by the Division which reported its findings to D. J. Needham, the Association's General Counsel.

"As you will note from paragraph 15 of Interpretative Bulletin No. 13," said the Division, "it is our opinion that time spent in attending meetings or lectures will not be considered hours worked if the meetings or lectures are not directly related to the employee's work. Certain other criteria must also be met if the time is not to be considered hours worked, but it is clear from examination of the material . . . that this one criterion is definitely not met."

### Second Edition

The Council is printing a second edition of the course, inasmuch as the first edition of 10,000 copies has nearly been exhausted. Many banks that bought a sample set are now ordering in quantities for their staffs.

### Conference Speakers and Guest

President Houston and Dr. Irwin will be heard at both conferences. Mr. Sproul is guest of honor at the New York luncheon at which Dr. Burgess speaks. Dr. Wiegman, president of Midland College, Fremont, Neb., is on the Louisville program.

### April Consumer Credit Meeting To Hear Experts St. Louis Program Now In Preparation

Speakers of national prominence will be on the program of the first nationwide consumer credit conference being held at St. Louis, Apr. 23-25 under A.B.A. auspices.

Although the agenda is not yet complete, Walter B. French, manager of the Association's Consumer Credit Department, announces that the topics to be discussed will include state legislation, costs incident to consumer credit operations, and collection problems of a small loan department.

"Why Consumer Credit" is the topic of an address to be given by Dr. A. D. H. Kaplan, director of the department of governmental management, University of Denver.

Four St. Louis bankers are serving on a local conference committee. They are: R. C. Denkman, Mercantile-Commerce Bank and Trust Co.; A. W. Dehlendorf, Lindell Trust Co.; Robert D. Kerr, First National Bank; Millard W. Smith, Manchester Bank.

### Work Started On State Bank Survey

The State Bank Division of the American Bankers Association is now engaged in making its annual survey of resources, liabilities, earnings and expenses of state banks. Findings will be announced about July 1.

**BANKING**

## 52 New A.B.A. Banks In Month

### 365 Are Added In Five Month Period

The American Bankers Association received 365 new members between Sept. 1, 1940, and Feb. 1, 1941, compared with 343 for the corresponding period a year ago.

During January, 52 new members were admitted, as against 45 the previous year.

Roy A. Haines, state vice-president for Kansas in the area under Membership Committeeman Eugene Gum, led in January with 11 new members.

From Pennsylvania, C. A. McClintock, state vice-president, in the territory under Committeeman George W. Heiser, 10 new members were received.

Kentucky, F. C. Dorsey, state vice-president, produced 8 through the organization set up by Noel Rush, member of the Committee in charge of the state.

In Missouri, under Committeeman J. P. Huston, the campaign of R. L. Dominick, state vice-president, added 6 banks to the Association's roster.

State vice-president Eugene Abegg's Illinois, in the territory of T. J. Nugent, contributed 5.

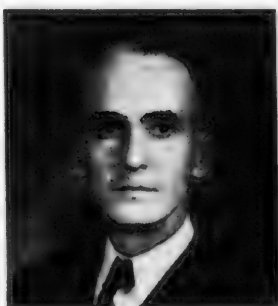
Additions from other states were as follows:

Michigan 2, Indiana 2, Tennessee 2, Arkansas 1, Louisiana 1, California 1, Nebraska 1, North Dakota 1, South Dakota 1.

#### C. E. Dean Praised

Too late for publication in last month's News Paper came a letter from Sylvan E. Freed, president of the Tennessee Bankers Association, calling attention to the A.B.A. membership work done by C. E. Dean, vice-president of the Old National Bank, Union City, Tenn.

Writing to W. Espey Albig, secretary of the Membership Committee, Mr. Freed said he had read with interest the story in January BANKING on the increase in Association mem-



C. E. Dean



W. F. Miller



E. B. Funk

Here are three more active new-member-getters for the A.B.A. Mr. Dean is vice-president of the Old National Bank, Union City, Tenn.; Mr. Miller, vice-president, Citizens Union National Bank, Louisville, Ky.; Mr. Funk, executive vice-president, Lake City Bank, Warsaw, Ind.

bership and the part numerous bankers had had therein.

"While reading the article," he wrote, "I could not help thinking of the wonderful accomplishment of C. E. Dean of our state, of which we bankers in Tennessee are very proud.

"When P. D. Houston, whom we all love so well, was in line for the Presidency of the A.B.A., Mr. Dean conceived the idea it would be a fine tribute to Mr. Houston to make Tennessee as nearly 100 per cent A.B.A. as possible, and with this thought, together with his interest in the Association, he set out to do the job. How well he did, the records in your office will reveal."

Mr. Freed pointed out that Mr. Dean was not on the Membership Committee, that he had worked alone, and that he had one of the best records in the country as a new member getter.

### A.B.A. Thrift Book

"Personal Money Management", issued recently by the A.B.A. Savings Division, has had a second printing.

The United States Commissioner of Education, Dr. John W. Studebaker, to whom a copy of the booklet was sent, writes: "I think it is an excellent job and should meet a real need in the broad campaign of the American Bankers Association to promote thrift education in its many phases. I presume that you have taken steps to cause the members of your Association to bring (it) to the attention of school people in the local communities . . ."

## Personal Loans Manual Issued

### A.B.A. Book Covers Policies, Methods

The Consumer Credit Department of the American Bankers Association, of which Walter B. French is manager, announces the publication of a new personal instalment loans manual. This manual will be sent to any bank requesting it, without charge.

The booklet covers not only credit requirements in making this type of loan, but also suggests accounting procedures and accrual systems. It has been prepared to present to banks generally some of the methods used by the more successful banks.

"While the material is far from complete," says the preface, "the manual represents an endeavor to offer to banks a basic guide to the operation of a personal loan department, which may be expanded as future developments warrant."

The contents include a discussion of policies, the application form, the prospective borrower, loan purposes, investigation of the applicant, repayment, etc.

"The making of personal instalment cash loans by banks is an activity requiring much specialization," concludes the manual. "Even in a very small bank where an entirely separate department is not feasible, the responsibility for its success or failure should be lodged in one man."

## Farmer-Banker News Notes

### Kentucky

The agricultural committee of the Kentucky Bankers Association has a five-point activity program for the current year:

(1) Four-H Club and Future Farmers of America work with farm youth; (2) soil conservation; (3) greater diversification; (4) promote the raising of more sheep and other live stock; (5) sponsor "live-at-home" projects.

Arrangements are being made to have the programs of six group meetings in Kentucky include agricultural features.

Kentucky bankers contacted 16,546 farm people during 1940 in the interest of encouraging definite farm projects. More than 2,500 boys and girls were included in this total. Bankers engaged in 5,285 special agricultural activities.

### Arizona

The Arizona Bankers Association agricultural committee is stressing work with 4-H clubs and the Future Farmers of America. Last year the association contributed \$483 to the two farm youth groups, thus helping to pay the travelling expenses of the young people to the 4-H roundup at the state university. An award of \$25 was made to the "State Farmer," winner of the Future Farmer program, and \$5 was paid to each of 12 others who had high records.

## Public Relations Group Is Named

### Institute's State Chairmen Picked

Members of the new American Institute of Banking committee which is to coordinate public relations activities have been announced by President J. L. Dart.

In addition to the national chairman, Eben C. Johnson of San Francisco, and the three vice-chairmen, John D. Arthur of Cleveland, J. K. Ewart of Tacoma, and W. L. Sanderson of Washington, D. C., the committee has 48 members, each representing a state. The state chairmen are:

*Northern Division:* Ohio, Mr. Arthur; Indiana, Oscar H. Bushing, Fort Wayne; Pennsylvania, John S. Bycroft, Jr., Sharon; New Hampshire, Andre V. Dion, Nashua; Rhode Island, Gerald B. Franklin, Providence; Michigan, Alex N. Gardner, Detroit; Maine, R. Donald Goode, Bangor; Connecticut, Walter E. Haddock, Hartford; Pennsylvania, John T. Hummer, York; Massachusetts, Harry R. McIntosh, Worcester; Wisconsin, H. C. Nicholls, Madison; Iowa, C. E. Orr, Marshalltown; Illinois, Martin A. Rudolph, Chicago; Vermont, John N. Sanborn, St. Albans; New Jersey, F. J. Scholz, Hackensack; Minnesota, A. J. Schultz, Rochester, and New York, H. Gage Stewart, Syracuse.

*Western Division:* Colorado, John W. Armstrong, Colorado Springs; Texas, Roland Bratton, Fort Worth; California, C. W. Brown, Sacramento; Arizona, Jerry Buckman, Phoenix; Kansas, W. Dale Critser, Wichita; Montana, Rush Culbertson, Helena; Oregon, John Deporter, Portland; Washington, Mr. Ewart; New Mexico, John T. Friede, Albuquerque; Nevada, W. W. Hopper, Reno; Oklahoma, D. B. Johnson, Bartlesville; Wyoming, J. C. Murphy, Laramie; Nebraska, Ray F. Slizewski, Omaha; Utah, R. M. Smith, Salt Lake City; North Dakota, Joseph R. Thomas, Bismarck; South Dakota, Harold Thom-

## Five Association Staff Men Are In Military Service

Five members of the headquarters staff of the American Bankers Association have been called to military service for a period of one year.

They are: Captain William P. Bogie, assistant editor of *BANKING*; Captain Floyd M. Call, Consumer Credit Department; Daniel L. Stonebridge, Legal Department; George S. Updegraff, Advertising Department, and Raymond E. Murray, general office staff.

Captains Bogie and Call, holding commissions in the Army Reserves, were assigned temporarily to the Infantry Officers Training School at Fort Benning, Ga. After a training period there they will be detailed to Army posts.

Mr. Stonebridge, whose legal work for the Association has been in connection with the current revision of Paton's Digest of Banking Laws, is a member of the Seventh Regiment, New York National Guard, ordered to Camp Stewart, Ga.

Mr. Updegraff and Mr. Murray were inducted into military training. The former is at Camp Dix, N. J., and the latter at Camp Upton.

son, Presho, and California, B. Vogelsang, Los Angeles.

*Southern Division:* Mississippi, Edward R. Berry, Jackson; North Carolina, Jasper L. Cummings, Rocky Mount; Florida, Stephen H. Fifield, Jacksonville; Louisiana, O. J. Howat, New Orleans; Missouri, Bernard W. Jordan, Kansas City; Tennessee, Albert L. Long, Memphis; Georgia, R. Lee McConnell, Atlanta; Arkansas, Wade Mallett, Little Rock; Virginia, F. G. Mitchell, Richmond; South Carolina, I. I. Moses, Columbia; Delaware, John P. Mulhearn, Wilmington; West Virginia, Francis J. Price, Clarksburg; District of Columbia, Mr. Sanderson; Maryland, Adolph C. Wienert, Baltimore; Alabama, Merrill H. Wyatt, Montgomery, and Kentucky, R. L. Wyckoff, Louisville.



## The Spring Meeting

While plans are in progress for the annual Spring Meeting of the Executive Council, American Bankers Association, at The Homestead, Hot Springs, Va., Apr. 27-30, this picture arrives to interest many readers of *BANKING*. It shows a group of western A.B.A. men and their wives en route to the 1928 Spring Meeting at the Bon Air Vanderbilt, Augusta, Ga., and was taken during a stopover at Asheville, N. C.

M. Plin Beebe of Ipswich, S. D., president, Kimball (S.D.) State Bank, who sent the photo, recognizes in it W. L. Russell, Madison, Wisc.; F. C. Dorsey, Louisville, Ky.; Robert Carn, Omaha; the late Dan Stephens of Fremont, Neb.; and, of course, Mr. Beebe.

"As to the ladies," he writes, "your office staff can pick them out."

## Plan Tour For A.I.B. Convention

An all-expense tour to the 1941 national convention of the American Institute of Banking in San Francisco on June 2-6 has been announced by David L. Colby of St. Louis, chairman of the Institute's Transportation Committee. The usual schedules for direct routes also are being planned.

The all-expense tourists will leave New York on May 24 returning June 13.

Sightseeing stops will be made en route to the Coast.

## Three New Talks

Speech material on three new subjects has been prepared under direction of the A.B.A. Public Relations Council for the use of bankers.

The titles are "The Banker's Part in a Changing World: How the A.I.B. Helps Equip Him"; "The Young Farmer's Business Account"; and "Using the Farmer's Financial Statement."

The Council now has more than 60 talks in its library.

## Bank Lending

(Continued from page 99)

crease in the number of transactions in the three half-year periods. The dollar amount, however, for the third period (i.e., the first half of 1940) reflects the normal seasonal downward fluctuation in national economic activity.

Large proportions of the loan transactions were for relatively small amounts. The average new loan was \$1,967, the average renewal \$1,482, and the average new mortgage \$3,256.

"Since the total figures contain relatively high proportions of returns from among the larger city banks, whose credit operations include many very large transactions," the Council reported, "the comparatively small average amounts indicated for the responding banks as a whole reflect the fact that the bulk of their loans were of modest size."

The Council presents its study of the three loan surveys in a booklet "The Increase in Banking Lending," which accompanies the questionnaire for the fourth survey.



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# CONVENTION CALENDAR

March · 1941

SUN.	MON.	TUE.	WED.	THU.	FRI.	SAT.
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

A.B.A. EASTERN REGIONAL CONFERENCE ON SAVINGS AND COMMERCIAL BANKING, WALDORF-ASTORIA, N.Y.C.

A.B.A. REGIONAL CONFERENCE, BROWN HOTEL, LOUISVILLE

## American Bankers Association

- Mar. 5-7 Regional Conference, Waldorf-Astoria Hotel, New York City  
 Mar. 20-21 Regional Conference, Brown Hotel, Louisville, Kentucky  
 Apr. 23-25 National Consumer Credit Bank Conference, Hotel Statler, St. Louis  
 Apr. 27-30 Annual Meeting, Executive Council, The Homestead, Hot Springs, Virginia  
 June 2-6 American Institute of Banking, St. Francis Hotel, San Francisco  
 Sept. 28-Oct. 2 Annual Convention, Hotel Stevens, Chicago

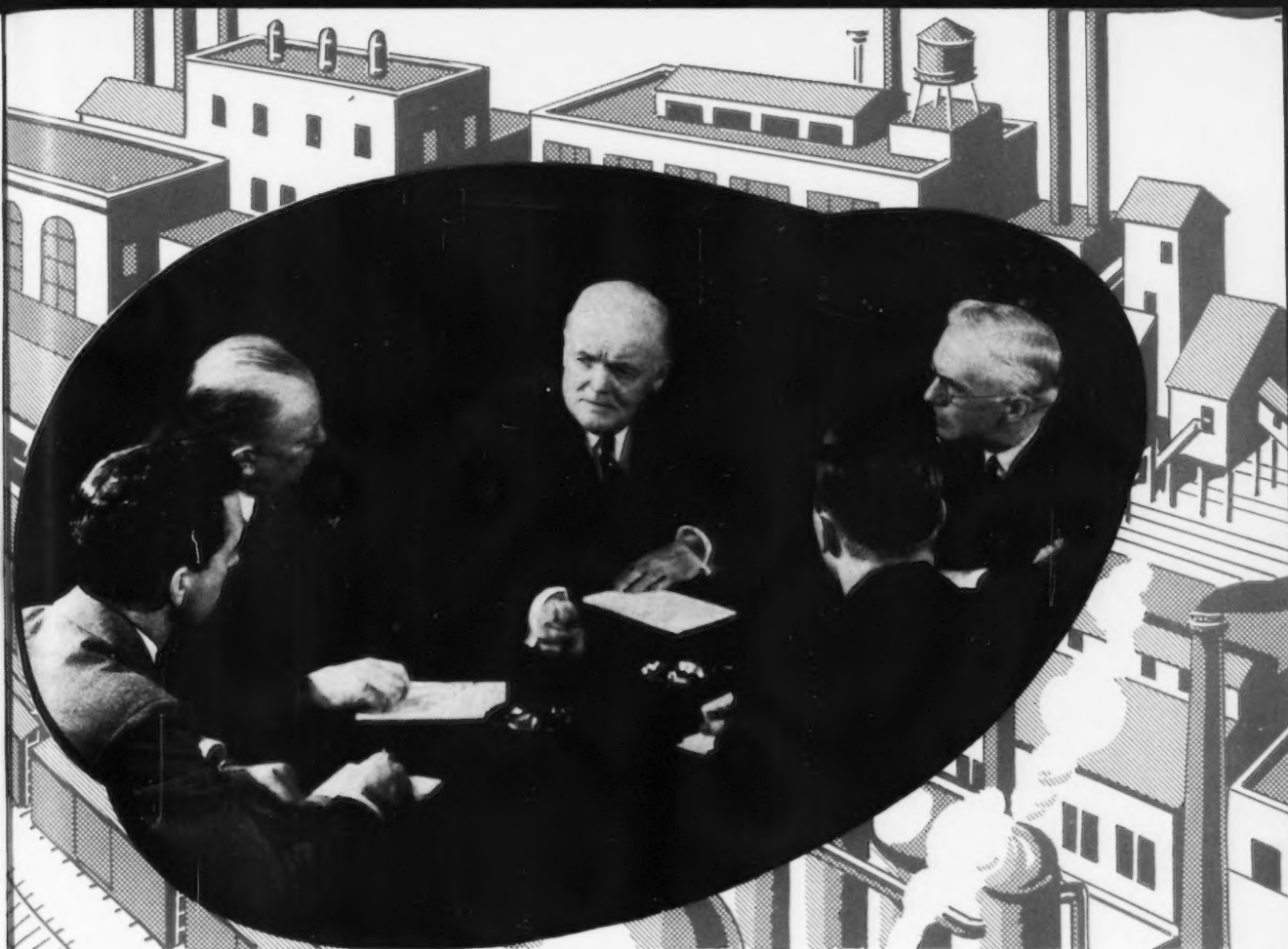
## State Associations

- Apr. 1-12 Wisconsin Bankers Conference, University of Wisconsin, Madison  
 Apr. 17-18 Georgia, Dempsey Hotel, Macon  
 Apr. 18-19 New Mexico, Lordsburg  
 May 8-9 Oklahoma, Oklahoma City  
 May 9-10 North Carolina, Pinehurst  
 May 12-14 Missouri, Elms Hotel, Excelsior Springs  
 May 14-15 Arkansas, Arlington Hotel, Hot Springs  
 May 14-15 Indiana, Claypool Hotel, Indianapolis  
 May 15-16 Alabama, Mobile  
 May 15-16 Kansas, Kansas City  
 May 19-21 Mississippi, Buena Vista Hotel, Biloxi  
 May 21-23 Pennsylvania, Hotel Traymore, Atlantic City  
 May 21-23 Texas, Houston  
 May 22-24 New Jersey, Atlantic City  
 May 22-24 Virginia, John Marshall Hotel, Richmond  
 May 22-28 Illinois, Palmer House, Chicago (Golden Jubilee)  
 May 27-28 Maryland, Lord Baltimore Hotel, Baltimore  
 June 4-5 Ohio, Cincinnati

- June 4-5 Wisconsin, Schroeder Hotel, Milwaukee  
 June 5-6 Washington, Hotel Olympic, Seattle  
 June 5-8 District of Columbia, The Homestead, Hot Springs, Virginia  
 June 9-10 Oregon, Gearhart Hotel, Gearhart  
 June 9-10 Wyoming, The Plains Hotel, Cheyenne  
 June 11-13 Minnesota, St. Paul  
 June 12-14 West Virginia, Greenbrier Hotel, White Sulphur Springs  
 June 13-14 Utah, Grand Canyon National Park Lodge, North Rim  
 June 16-17 Idaho, Sun Valley  
 June 17-18 North Dakota, Hotel Patterson, Bismarck  
 June 20-21 Montana, New Florence Hotel, Missoula  
 June 26-27 South Dakota, Hotel Franklin, Deadwood  
 June 26-28 Michigan, Grand Hotel, Mackinac Island  
 June 27-29 Maine, Poland Spring House, Poland Spring

## Other Organizations

- Apr. 18-19 Eastern Regional Conference, The National Association of Bank Auditors and Comptrollers, Boston  
 May 4-7 Association of Reserve City Bankers, Hotel Hershey, Hershey, Pennsylvania  
 May 7-9 National Association of Mutual Savings Banks, The Bellevue-Stratford, Philadelphia  
 May 10 Oklahoma American Institute of Banking, Oklahoma City  
 May 16-17 Mid-continent Regional Conference, The National Association of Bank Auditors and Comptrollers, Cleveland  
 May 16-17 Second Bank Management Conference, New Hampshire Bankers Association, Hanover  
 May 22-24 National Safe Deposit Association, Hotel Statler, Buffalo, N. Y.



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